

High noon for
two hard men
Daniel Vergin, author of a new
book on the politics of oil, argues
that George Bush is tougher than
Saddam Hussein wants to think
Page 1

Living well on less
How to enjoy the recession:
cheaper skiing, fizz for under a
tenner, pruning costs in the
garden and bargain restaurants.
Savings for savers
Sara Webb looks at ways to pay
less to save more
Page IV

Dodging the draft
Michael Thompson-Noel, a
coward, fields a midnight phone
call from the major Page XVI
Cut-price chic
Lucia van der Post scours the
racks for designer label cachet
which costs a little less Page XII

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EUROPE'S BUSINESS NEWSPAPER

FINANCIAL TIMES

Weekend January 5/January 6 1991

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WORLD NEWS

Soviet pledge to Baltic over military fears

No army reinforcements will be sent to the troubled Baltic republics, a senior Soviet military chief pledged yesterday. The promise from Gen Mikhail Moiseyev, chief of the Soviet general staff, was aimed at allaying fears that some form of martial law could be imposed on the region to stop the republics' campaigns for independence.

Tension in the region rose this week after Interior Ministry troops were used to take control of a Communist Party printing plant in Latvia.

Crusade for unity, Page 6

Somali peace move

Somali President Mohamed Siad Barre, resisting rebel attempts to oust him, offered to hold peace talks with opposition groups and accept the outcome of negotiations. Earlier, armed men burst into Red Cross offices in Mogadishu, disrupting plans to evacuate foreigners from the battle-torn capital. Page 2

UK braced for storms

Britain was braced for 24 hours of heavy rain and high winds. The storms were due to sweep eastward in a band from southern Scotland to North Wales and Lincolnshire.

Weather, Page 22

Wales's man approved
Poland's parliament voted overwhelmingly to accept Jan Krzysztof Bielecki as prime minister. The 39-year-old economist was President Lech Wałęsa's nominee. Page 4

Hostages 'a priority'

Lebanese premier Omar Karami said freeing the 12 western hostages in the country was a priority for his government.

Miners turn back

Thousands of striking Turkish miners marching on Ankara to demand higher pay halted when prime minister Yıldırım Akbulut said he wanted to resume wage talks. Earlier report, Page 4

In London, three men were remanded on bail charged with public order offences after clashes during a demonstration in sympathy with the general strike in Turkey.

Non-accident precaution

Austria is to distribute free tablets nationwide to prevent thyroid cancer in the event of a nuclear accident. Vienna denied the move was linked with safety fears about a Czechoslovakian atomic plant.

Pushie phone-in

A planned radio phone-in with Salman Rushdie, author of 'The Satanic Verses', is to go ahead despite warnings from a Moslem youth group that it would inflame feelings. Bradford City Radio in West Yorkshire and Sunrise Radio in London will broadcast the programme tomorrow morning.

Animal feed criticised

Farmers should be banned from feeding their livestock protein from animal remains, said Professor Richard Lacey, one of the government's most outspoken food safety critics.

Kaifu to visit China

Japanese prime minister Toshiki Kaifu is to visit China this year, signalling the full restoration of relations between the countries. Page 2

No to western values

Singapore outlined five "shared values" aimed at boosting national identity and combating western influence. The government denied trying to foist Chinese Confucian values on a multi-racial society.

MARKETS

STERLING

New York lunchtime: \$1.538
London: \$1.935 (1.9485)
DM 2.9125 (2.9085)
FF 2.68 (9.8873)
SF 2.465 (2.468)
Yen 261.25 (259.0)
£ Index 94.2 (94.1)

GOLD

New York Comex Feb
\$387.2 (388.9)
London: \$387.5 (386.25)

US SEA-OR (Argus)

Feb Feb £2.875 (24.9)

Chief price changes
yesterday: Page 22

BUSINESS SUMMARY

UK softens line on EMF for hard Ecu

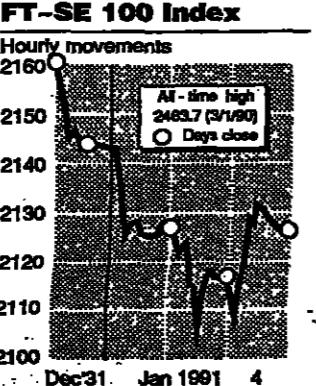
Britain may drop its proposal for a new institution to manage its hard Ecu, if it gets support from the rest of Europe on the scheme to introduce the currency over the next few years.

The possibility that Britain may abandon its insistence on a European Monetary Fund (EMF) to manage the hard Ecu comes as the UK Treasury prepares to issue on Tuesday new proposals on the hard Ecu which will provide a legal framework for creating the currency. Page 22

NISSAN UK is to start legal proceedings against Nissan Motor, Japan's second largest car maker, which announced last week that it had given NUK notice to terminate its concession as the sole importer and distributor of Nissan vehicles in the UK with effect from the end of 1991. Page 22

LONDON EQUITIES rallied on news of next week's proposed talks between the US and Iraq's foreign minister. The FT-SE 100 index closed up 8.3 at 1,216.1. Since the end of the previous week, the Footsie has fallen by 41.5 points.

FT-SE 100 Index



Dec 31 Jan 1991 4

or nearly 2 per cent from 2,160.4, with investors increasingly wary ahead of the expiry of the UN deadline for Iraq to withdraw from Kuwait. Page 13; Lex, Page 22; Reeling into the New Year, Weekend FT, Page II

STORMSEAL, third largest double-glazing group, has gone into receivership. Page 22; Jobs to go, Page 5

M&G Group, largest UK unit trust fund manager, has urged companies in which it has a significant investment to maintain their dividends wherever possible. Page 22

DAF, Dutch commercial vehicle maker, announced an annual net loss of Ffl150m (£46.2m) in the face of a steep recession in the UK truck market. Page 10

US unemployment rose to 6.1 per cent in December, the highest level for three years. New orders for manufactured goods fell 5.8 per cent in November, the largest ever monthly decrease. Page 3

AT & T: A construction accident at the US telephone company's fiber-optic communications cable in New Jersey, forcing the Comex and Nynex exchanges to halt trading and disrupting long-distance telephone services.

POWERGEN, UK electricity generator due to be privatised next month, is pressing the industry's regulator for permission to compete for more industrial customers presently supplied by seven of the regional electricity companies.

EXPORT CREDITS Guarantee Department: Plans to privatise part of the UK department suffered a setback because of dwindling interest from clearing banks once seen as possible buyers. Page 5

STOCK INDICES

New York lunchtime: FT-SE 100: 2,128.1 (+ 8.3)
FT Ordinary: 1,659.5 (+ 11.0)

FT-A All-Shares: 1,023.21 (+ 0.3%)

New York lunchtime: DJ Ind. Av.: 2,582.43 (+ 8.9%)

FT-A All-Shares: 322.12 (+ 0.2%)

Tokyo: Nikkei 24,068.18 (+ 220.47)

London: S&P Comp 133.32

London: FTSE 100: 1,216.1

London: 3-month libor close: 133.3% (14.13%)

London: 3-month Treasury Bills: 6.89%

London: Long Bond: 10.2%

London: 10-year Gilt future: 9.16% (9.11%)

London: Mar 90 £ (90.11%)

Baker and Aziz in first high level meeting since crisis started

US and Iraq will hold 'last chance' talks in Geneva

By Peter Riddell, US Editor in Washington and David Buchan in Brussels

THE GULF CRISIS

PAGE 2

- Iraq tells diplomats to prepare to leave Baghdad
- Western fears of terrorism sharpened
- UK minister rejects oil catastrophe theory
- Anti-Iraqi Arab front plans no initiatives
- Pressure for airline exclusion zone
- Bush to meet UN chief but officials still cautious
- Israel dismisses latest criticism from UN

The US has explicitly ruled out negotiation and has said that the aim of the direct contacts is to underline the need for Iraq to withdraw immediately and unconditionally from Kuwait. Mr Bush has said talks cannot cover other issues such as the Arab-Israeli conflict.

The meeting was suggested on Thursday by President George Bush as "one last attempt to go the extra mile for peace" following the collapse of an earlier proposal for talks because of a disagreement over dates.

Mr Baker will visit London and Paris on his way to Geneva. The US State Department said it was "pleased" that Iraq had "responded affirmatively" to the president's initiative. The White House said it was "an encouraging sign" that Baghdad was at least willing to talk.

Nevertheless, senior US officials have played down expectations of any dramatic breakthrough emerging from the meeting.

Mr Aziz announced on Iraqi television yesterday that he would accept the US offer of talks "out of respect for world opinion" but stressed that Iraq was not bowing to US pressure.

Mr Aziz said that he would use the talks to stress Iraq's commitment to finding a solution to the Palestinian question.

Continued on Page 22

Mr Bush plans to make a radio address to the American people about the Gulf on Saturday, when he will also meet Mr Javier Perez de Cuellar, the UN secretary general, to discuss the crisis.

The Geneva talks are being presented in Washington as a last minute attempt to achieve a peaceful solution. They give Mr Bush a chance to regain the diplomatic initiative from the Europeans and to assure the American public that he is seeking all means of avoiding war.

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Continued on Page 22

Expelled diplomat says western countries face terrorism threat

By Victor Mallet, Middle East Correspondent

AN Iraqi diplomat expelled yesterday from Britain suggested yesterday that western countries would be targets for terrorism if the multi-national forces in the Gulf attacked Iraq.

In a defiant statement at Heathrow airport, Mr Naeel Hassan, who was the Iraqi press counsellor in London, said: "I am sure that if there is any attack on Iraq, a lot of targets in countries to the west

will be demolished."

Mr Hassan, one of 75 Iraqis ordered out of Britain this week, said that he had abided by the law but that Arabs and Moslems living in the west were bound to respond to a war against Iraq.

"What kind of targets, I don't know," he said. "But we believe that Arabs here and in all western countries will launch something against so

many targets if a war is launched against Iraq."

The British government, when it announced the expulsions on Thursday, said the Iraqis had to leave because of "public threats" - a reference to threats of terrorism by Iraq and by Baghdad-based Palestinian extremists.

A Foreign Office spokesman, asked about Mr Hassan's comments, said that they gave

"additional justification" to the British decision.

The al-Thawra newspaper, official mouthpiece of the ruling Baath party in Iraq, said last week that western interests around the world would be targets for Iraqi retaliation if Iraq was attacked.

Abu Abbas, the Baghdad-based leader of the Palestine Liberation Front, has urged his supporters to attack

Americans and their Arab allies.

Mr Anthony Beaumont-Dark, a Conservative MP, called yesterday for all Iraqis in Britain who are not political refugees to be repatriated. "We will have enough problems if war breaks out without the police having to watch 5,000 Iraqis," he said.

Western fears, Page 2



Iraqi diplomat Salih Faraj Mohammed leaves Heathrow with his daughter after being expelled from London

Clarke makes GCSE changes

By Norma Cohen,
Education Correspondent

SWEEPING changes to the national curriculum for 14- to 16-year-olds were announced yesterday by Mr Kenneth Clarke, education secretary.

In his first major policy address since his appointment in November, Mr Clarke said that requiring pupils to study all 10 subjects required by the Education Reform Act of 1988 was too restrictive.

The changes announced, affecting so-called key stage 4 of the curriculum, go further than the proposals earlier considered by Mr Clarke's predecessor, Mr John MacGregor.

Students will now be required to study only six subjects at age 14 although all 10 will still be taught to children aged five to 13.

Speaking at the North of England Conference in Leeds, Mr Clarke said: "I have inclined towards more flexibility and choice for these older pupils, their parents and teachers."

He said that among his chief aims in ordering a more flexible curriculum was a desire to leave more room for vocational study. Under his proposals, students will be required to take only mathematics, science and English to GCSE examination level.

Modern languages and technology will still be required of all students but may be taken in an abbreviated form leading to a secondary level exam. Students may combine the study of these subjects with another, such as French and business studies or technology with art.

Students will be required either to study geography to GCSE level, but not both, or they may take a short course in each of the two subjects. Art and music will become optional subjects while the requirement for physical education will be interpreted "flexibly".

Education groups across the political spectrum have been clamouring for more flexible curriculums.

Sheep and goats, Page 5

GLOBAL EXPERTISE

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INTERNATIONAL NEWS



Facing expulsion: Iraqi diplomat Saif al-Islam Gaddafi in London

Iraq sharpens western fears of wave of Arab terrorism

By Emma Tucker, Neil Buckley and Victor Mallet

THE DEFIDENT comments yesterday by an Iraqi diplomat expelled from Britain will have served to underline western fears about a new wave of Arab terrorism as a result of the Gulf crisis.

When Mr Naeel Hassan declared at Heathrow airport that targets in the west would be demolished if Iraq was attacked, he was doing no more than echoing the recent threats of Palestinian terrorist groups and the Iraqi state media.

Mr Hassan, an Iraqi press counsellor, was ordered out of Britain this week along with 74 of his compatriots because of what the Foreign Office in London called Iraq's "public threats".

Even before the Gulf crisis interpreted by Iraq's supporters as a confrontation between the Arabs and the arrogant west - Palestinian extremists had been gravitating towards Baghdad following the col-

lapse of the east European governments which once harboured them.

The most vocal such Palestinian since President Saddam Hussein sent his troops into Kuwait in August has been Abu Abbas, the leader of the Palestine Liberation Front. He called on his supporters to "open fire on the American embassy everywhere."

Opinion is divided, however, on the seriousness of the international terrorist threat. Some diplomats and analysts suggest that gunmen could be easily dispatched to the west and "sleeping" terrorists around the world quickly activated; others believe it would difficult for Mr Saddam to organise effective terrorist action even if he wanted to.

Mr Paul Wilkinson, professor of international relations at the University of St Andrews, said yesterday that Baghdad's terrorist threats were very real.

"Saddam Hussein has a track record of using terrorism against domestic and external foes," he said. "Terrorism is low risk and low cost, but has a high yield in terms of publicity and would help to compensate for some of Iraq's military weaknesses."

However, Mr David Caplanchuk, senior lecturer in politics at Aberdeen university, described the threat as "hollow". He said Iraq had the capability to mount terrorist attacks but would probably refrain from attacking the west.

"Terrorism would give an excuse to the west to attack him whatever he does in the Gulf. If there is a danger of terrorism, it would be focused on Israeli targets because that could be justified in terms of the Palestinian struggle," he said.

Western intelligence agencies - and Israel's - will be watching several possible sources of terrorism as

the Gulf crisis develops.

• Iraq's own secret services. They have been accused of terrorist activities in Britain in the past. Some Iraqi agents would have diplomatic cover.

• Radical client groups under the control of Baghdad such as the Abu Nidal group. Mr Wilkinson said several activists connected to Abu Nidal and other Iraqi-sponsored organisations are believed to have visited Iraq for training and intelligence briefings since August, before returning to their cell structures across western Europe and the Middle East.

• Maverick groups or individuals carrying out terrorist acts in support of what Mr Saddam calls his holy war.

• Iraqi students. Permission to leave Iraq often hinges on the applicant's perceived loyalty to the regime, which means that the stu-

dent community provides a pool of potential agents.

There has been Foreign Office concern for over a year about the activities of Iraqi and other foreign students in Britain, but this has focused more on their studies.

A Foreign Office official yesterday confirmed a letter was sent last June by Mr Peter Davies, director of the arms control and disarmament department, to companies and the science departments of some British universities warning them to scrutinise carefully applications from students from unspecified Middle East and North African countries.

This followed general discussions in the Australia group of western countries - which seeks to harmonise chemical export restrictions - about the possibility of giving inadvertent help to such countries in obtaining technology and expertise that could have military application.

The official said: "We were asking them to increase their awareness of the potential problems. We wanted to make sure they were interacting with the students they were teaching."

Particular concern was expressed about students and researchers dealing with bacteriology and toxins.

The UK Council for Overseas Student Affairs estimated that there are around 1,000 Iraqi students studying in Britain. But the council emphasises that "these are very rough figures".

Most of these are studying at universities, with the majority on post-graduate courses. The overwhelming majority are studying science subjects, such as chemistry, physics, biochemistry, engineering, polymer science and chemical engineering. Some are studying nuclear engineering.

Israel dismisses latest UN criticism

By Judy Maitz in Jerusalem

THE US has supported a UN Security Council move criticising Israel for the fourth time since the start of the Gulf crisis, but Israel yesterday dismissed the latest UN statement as another attempt to deflect attention from Iraqi aggression.

The UN declaration, issued late on Thursday night, expressed concern about the recent flare-up of violence in the Gaza Strip, "especially actions by Israeli security forces against Palestinians". Israeli troops have killed eight Palestinians in the Gaza Strip since last Saturday.

Israel Foreign Ministry officials tried to play down the significance of the latest UN condemnation, saying: "There is no need to react to every Security Council decision, and certainly not to a statement that is nothing more than an opinion."

The Israeli officials expressed regret that the Security Council had found it appropriate once again "to pay in Israeli currency for the Gulf crisis". The statement coincided with the visit of Mr Guido de Marco, president of the UN General Assembly.

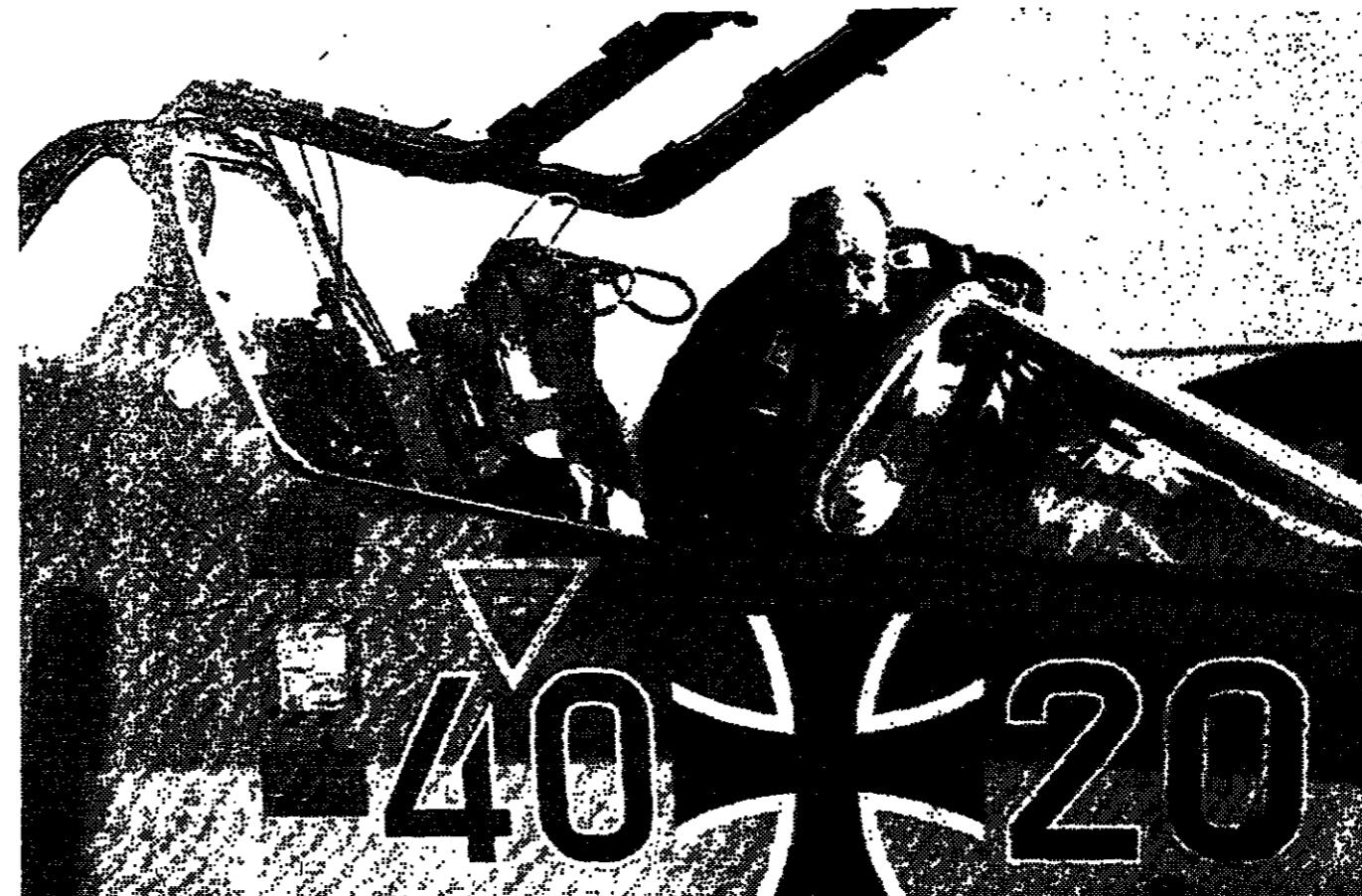
In a meeting with the mayor of Jerusalem, Mr Teddy Kollek, the UN representative emphasised that no linkage should be made between the Gulf crisis and the Israeli-Palestinian conflict.

The country was far more preoccupied yesterday, however, with the circumstances surrounding a mysterious car collision just north of the Gaza Strip, in which one Israeli woman and one Arab man were killed.

Israeli eyewitnesses said an Arab bus driver deliberately hit an Israeli car, in which the woman was killed, and then hit a second car during a chase.

The Arab was shot dead by an Israeli soldier after emerging from his car carrying a large iron bar. The testimony we have suggest that his motives were nationalistic," police said.

Palestinians said the bus driver was shot dead after he accidentally hit the Israeli car. The incident sparked renewed clashes in the Gaza Strip.



A Luftwaffe jet is inspected in Germany before being flown to Turkey in a Nato deployment because of the Gulf crisis

Pressure for airline exclusion zone

By Paul Bett and Paul Abrahams

PRESSURE is building on the International Civil Aviation Organisation (ICAO), the aviation technical agency of the United Nations, to impose some kind of exclusion zone for air services flying over Middle East regions likely to be affected by an outbreak of war.

This comes as a growing number of international airlines suspend operations to the Middle East.

War risk insurance rates, which have increased sharply during the past few days for aircraft flying to Gulf destinations, are also likely to rise further as the January 15 UN deadline for Iraq to pull out of Kuwait approaches. The International Air Transport Association (Iata) has already set up a task force to lay contingency plans to enable ICAO to impose a war exclusion zone.

This would clearly have huge financial and operational consequences for international airline operations, with carriers being forced to fly further north across the Soviet Union or further south over the southern Indian Ocean.

These routes are expected to become heavily congested because of the lack of sufficient aircraft navigational facilities in these regions. Airlines and international aviation are also increasingly concerned by Iraq's latest threats to launch terrorist attacks in the west. Officials reluctantly acknowledge that war exclusion is clearly a frontline target.

Airlines are understood to have taken measures already to increase security. One international airline official said yesterday: "Airlines have to take that kind of threat seriously and take measures accordingly."

South African Airways and the Hong Kong-based Cathay Pacific yesterday became the latest airlines to cancel Middle East flights. SAA, which has

cancelled its twice-weekly flights from Johannesburg to Tel Aviv, blamed the worsening political situation and increased cost of insurance. Earlier this week Pan Am, the US carrier, announced it was suspending flights to Israel and Bahrain following a 1,000 per cent increase in insurance premiums.

Cathay Pacific has halted daily flights from London to Bahrain. The airline said it was concerned about the safety of its passengers, crew and equipment. It is rerouting its services to Hong Kong via Helsinki and is also increasing the number of non-stop flights.

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UK minister rejects oil catastrophe theory

By John Hunt, Environment Correspondent

CLAIMS BY a group of environmentalists that a Gulf war and the burning of the Kuwaiti oilfields would result in an unprecedented environmental catastrophe were rejected yesterday by Mr John Wakeham, the UK Energy Secretary, as "entirely misplaced".

He said that the oil burned would represent only a few per cent of world oil production and the impact on global warming - the greenhouse effect - would be negligible.

There is no way in which Kuwait's huge reserves under ground could be ignited," he said.

However, he conceded that such hypothetical scenarios arising from an inferno in the Kuwaiti oilfields were misleading.

"I know of no reason why the Iraqis should attempt to sabotage the oil wells if they were ignited.

He was replying to claims made at a symposium held in London on Wednesday on the

environmental impact of a Gulf war. At the symposium Mr John Cox, a chemical engineer and oil consultant, said that if Iraq ignited Kuwait's 1,000 oil wells the fire could last a year and cause serious regional climate changes.

Dr Abdallah Toukan, chief scientific adviser to King Hussein of Jordan, said between 10m and 100m barrels of oil would be burned causing a "nuclear winter".

But Mr Wakeham, giving the first response from the British government, said that such hypothetical scenarios arising from an inferno in the Kuwaiti oilfields were misleading.

However, he conceded that such hypothetical scenarios arising from an inferno in the Kuwaiti oilfields were misleading.

A Saudi foreign ministry official said that while the Gulf crisis had sped resumption of relations, the decision to revive the relationship had been made "a long time ago."

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INTERNATIONAL NEWS

White House takes some comfort from economic figures

By Michael Prowse in Washington

THE US unemployment rate rose to 6.1 per cent in December, the highest level for three years. Separate figures showed that new orders for manufactured goods plunged 5.9 per cent in November, the largest ever monthly decrease.

Mr Martin Fitzwater, the White House spokesman, said the latest rise in unemployment was "troubling" and reiterated the administration's wish for a drop in interest rates.

The figures confirm that the US economy is in the throes of recession but were not without some comfort for the White House, which still maintains the downturn will be mild and short-lived. The jobs data, which provide one of the first comprehensive indications of economic conditions in December, were relatively encouraging. After seasonal adjustment, non-farm employment fell by 76,000, pushing the unemployment rate from 5.9 per cent to 6.1 per cent.

But the fall in employment was modest compared with analysts' expectations of a decline of about 150,000 jobs.

It also marked a sharp slowing in the rate of job losses from October and November, when non-farm employment fell by 180,000 and 259,000 respectively.

Bond prices fell sharply on Wall Street following the employment report on expectations that evidence of a slower rate of economic contraction in December would make the Federal Reserve, the US central bank, less likely to sanction further quick cuts in interest rates.

The report on manufacturers' orders confirmed previous signs that November was a month of corporate retrenchment. Total new orders fell by \$14.7bn (\$7.6bn) to \$235.4bn, but most of the weakness was concentrated in the durable goods sector where orders plunged by 10.7 per cent to \$15.6bn. The largest decrease was in transport equipment, which fell 27.6 per cent.

Congress working on bank deposit insurance

By Peter Riddell in Washington

CONGRESSIONAL leaders have started producing their own plan for overhauling the strained US bank deposit insurance system and for streamlining regulation, and of the Bush administration's own comprehensive package due towards the end of the month.

The Congressional plan, produced by senior Democrats and Republicans on the Senate and House banking committees, indicate the scope both of possible agreement on changes and of likely disagreements.

Both the administration and congressional leaders agreed on maintaining the basic Federal deposit insurance of up to \$100,000 (\$51.813) and on limiting coverage beyond that amount. But congressional leaders are reluctant to go as far as the administration in changes to the overall regulatory framework.

The White House plan will seek to end current controls which prevent the creation of diversified bank holding companies with a nationwide branch network and under the same corporate umbrella as securities and investment houses. Any changes will be linked to a strengthening of banks' capital requirements to avoid a repetition of the savings and loan collapse and will also impose clear limits between banking and non-banking activities so that insured deposits are not used to finance securities operations.

Such changes have been blocked in past years through the opposition of small banks and insurance and property

interests fearful of a competitive challenge from national banks and financial service groups.

The Democratic chairman of both the Senate and the House banking committees have both indicated their priority is reforming deposit insurance, rather than more far-reaching changes in banking structure.

Two congressmen, Mr Henry Gonzalez, chairman of the House banking committee, and Mr Chalmers Wylie, its senior Republican, have separately produced plans continuing insurance coverage up to \$100,000, though limiting the number of accounts that could be protected. The administration's plan is similarly expected to bar large institutions from breaking down their funds into accounts of less than \$100,000.

Mr Gonzalez has said deposit insurance "should be operated solely for its real purpose - the protection of ordinary depositors - not a guarantee, as it is today of 99.5 per cent of all deposits". He has also proposed that deposit premiums should be imposed on deposits in US banks' foreign branches, which are currently exempt.

Both the Gonzalez and Wylie proposals would consolidate the supervisory functions of the present five regulatory agencies responsible for banks.

The administration plan would consolidate regulatory authority over most banks under the Treasury's comptroller of the currency, with the Federal Reserve retaining its oversight of the largest banks with international interests.

El Salvador peace talks set to resume in Mexico City

By Tim Coone in Managua

PEACE talks aimed at ending El Salvador's 11-year civil war are expected to be renewed in Mexico this weekend, after weeks of "intense negotiations", according to diplomats based in Mexico City.

The talks will take place between representatives of President Alfredo Cristiani's right-wing government and the left-wing Farabundo Marti (FMLN) guerrillas.

The latest series of peace talks broke down last September over the thorny issue of army reform. The army and the government insisted on an end to the war and the guerrillas' demobilisation before embarking on any reforms, while the FMLN argued that such a proposal offered their troops no guarantees of safety.

In November, the FMLN then began a new, "mini-offen-

sive" and for the first time used Soviet-built surface-to-air missiles (SAMs) against jets and helicopters of the air force.

One of the missiles that shot down an A-37 jet was then traced to a lot of SAMs supplied to Nicaragua by the Soviet Union in 1986. This has created a scandal in Nicaragua, resulting in the arrest this week of four army officers.

For many years the El Salvadoran and US governments have blamed Nicaragua as the source of many of the FMLN's weapons, but have until now been unable to present convincing proof. Soviet co-operation in tracing the serial number of one of the SAMs used by the FMLN was apparently crucial in identifying the trail which led to one of the arrested men, ex-Major Odell Ortega.

Rio seeks to redeem reputation in world commerce

Brazil's crime-ridden resort has ambitions to become a significant trade centre, Christina Lamb writes

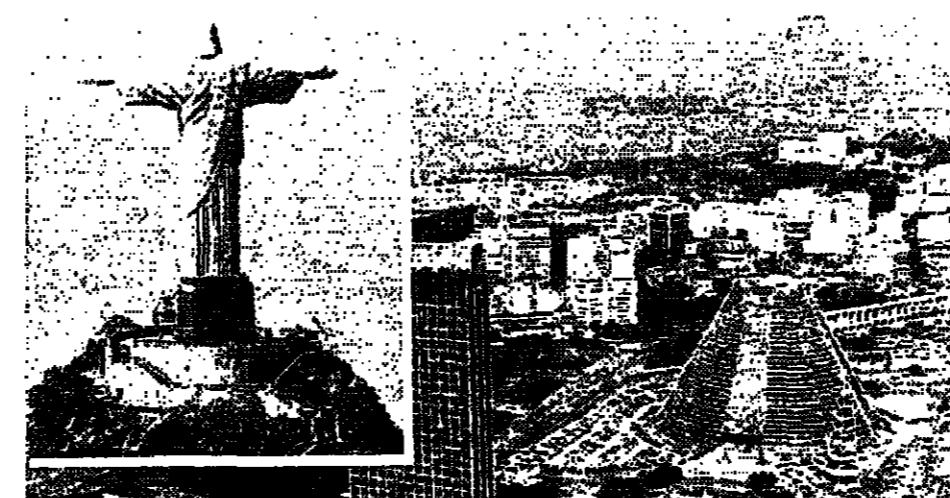
THINK of Rio and think beach, bossa nova, and probably crime and streetchildren. But Rio as an international trade centre, a world conference location? Unlikely.

One might also think of the towering figure of Christ the Redeemer whose outstretched arms above the city form Brazil's most famous postcard view. Last month after eight months encased in scaffolding the statue emerged to be welcomed by fireworks and a message from the Pope.

This repair, financed by Shell and TV Globo, Brazil's largest television station, inspired a group of Rio businessmen to launch Riomania, a movement to arrest Rio's social and economic decline and attract investment back into the city which was once Brazil's financial and political centre.

Exposed to scorching sun and winds up to 150kmph, the 30m statue had been cracking apart for years. But it took a finger weighing 10kg dropping off the 1,200 tonne figure, just missing a tourist, before the first repairs in its 58 years of existence were agreed. Once work began it was found that more than a fifth of the figure's surface had decayed.

The proponents of Riomania say the same is true of their city. Like the statue, superfi-



The restoration of Christ the Redeemer inspired local business to pursue economic salvation

cially Rio retains awe-inspiring beauty. But within its streets the decay is alarming. While most people when they think of Brazil still think of Rio, today it is a different kind of symbol - that of Brazil's huge disparity between rich and poor, encapsulated by Rio's favelas, or shanty towns, clinging to its hillsides, in which a third of the city's 6m population live.

Recently named the fourth most dangerous city in the world by the Population Crisis Committee in Washington, the police chief comes on TV to warn people not to stop at red traffic lights because of the gangs of thieves operating, it is not a great boost for a city trying to attract investment and

tourism. When the military police issues leaflets warning residents never to shop alone and to answer the door only to people who knock in code, the majority of companies would think twice about locating there.

Almost all foreign and national banks and multinationals have already moved headquarters from Rio to São Paulo, Brazil's biggest city. Rio stock exchange which 10 years ago represented 65 per cent of Brazil's volume of trading now has only 25 per cent and faces closure. The number of tourists dropped from 762,000 in 1988 to 489,000 last year.

Mr Protasio's immediate target for the clean-up of Brazil's second city is the UN world environment conference Rio will host in 1992 to which many heads of state are expected. The conference which he describes as "the carrot for the horse" should be a big boost for the authorities but in the present climate of weekly kidnappings, almost daily executions and hourly muggings, it is regarded unofficially as a complete nightmare".

It is a hard task. When the police chief comes on TV to warn people not to stop at red traffic lights because of the gangs of thieves operating, it is not a great boost for a city trying to attract investment and

per cent nationally, in Rio it was less than 71 per cent. Rio now contributes only 12.91 per cent of GDP compared to São Paulo's 51 per cent. Only 20 years ago Rio's contribution was 17.5 per cent, while São Paulo's was 38.8 per cent.

Rio businessmen say this is not unconnected to the fact that for most of the last 25 years the state governor has been in opposition to the federal government.

Mr Sergio Quintella heads AD Rio, a development agency set up by 40 private and five state companies to attract investment.

He believes Rio has been deliberately maltreated: "Over the last 25 years fiscal incentives were used by successive governments to attract people into regions and sectors which systematically discriminated against Rio."

But not everyone has lost hope. Mr Roberto Medina, himself a kidnap victim in June, is the founder of Rock in Rio, the world's largest rock concert.

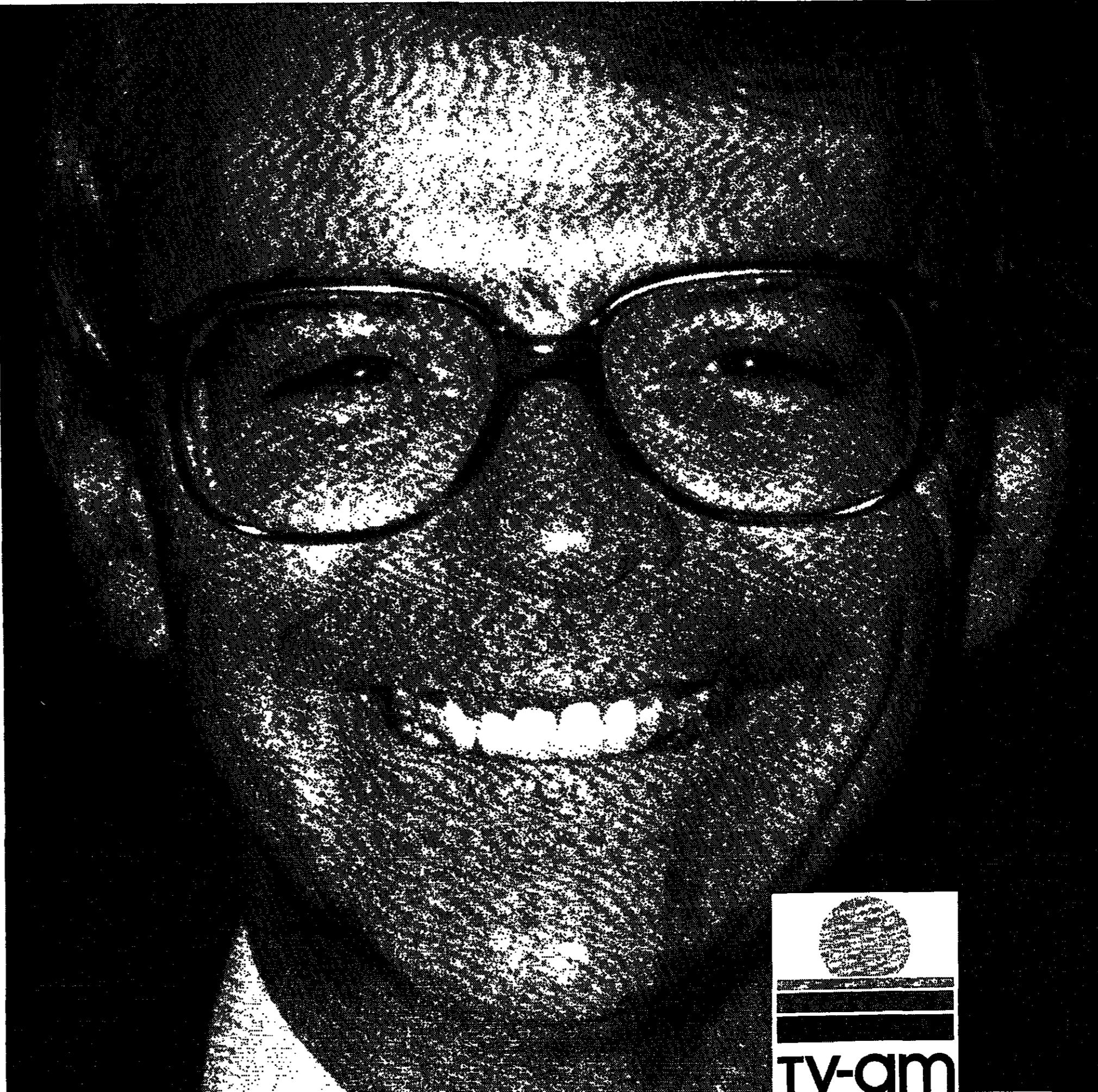
He claims to have no qualms about holding Rock in Rio II this month: "The first Rock in Rio attracted 1.3m people without a single casualty. This time will be even bigger... the ultimate demonstration of faith."

Mr Protasio is also optimistic: "The values of Rio may have declined but a second Rio can never be created."

TV-PM. David Frost talks to Prime Minister John Major

in his first full length TV interview since entering No. 10.

THE JOHN MAJOR INTERVIEW. FROST ON SUNDAY. FROM 7.30 AM.



Wake up to the facts.

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INTERNATIONAL NEWS

Brussels sets schedule for farm reform plans

By David Gardner in Brussels

THE European Commission yesterday set a schedule for what it insists will be far-reaching reforms to the EC's farm subsidies regime, but is still keeping secret details of what could prove a highly contentious package.

Ranking Commission officials made clear that the reforms would reach back to the mid-1980s and proposals for evolutionary change which never quite evolved rather than embody the revolutionary transformation announced last month by Mr Ray MacSharry, the Agricultural Commissioner.

The Commission is due to continue what its spokesman yesterday described as its "first reflections" on reform of the common agricultural policy (CAP) on January 9. But it has set January 19 as the date for a "seminar" to finalise the concrete proposals it will present to EC member states.

This is four days after Mr Arthur Dunkel, director-general

of the General Agreement on Tariffs and Trade (GATT) is due to produce his interim report on the prospects for restarting the stalled Uruguay Round negotiations to liberalise world trade.

These broke down last month because the US and the Cairns Group of 14 farm produce exporters led by Australia insisted EC offers to cut internal farm subsidies as an inadequate response to their demands for heavy cuts in export subsidies and import taxes.

One Commissioner said yesterday there was "no question" of taking the proposals to Mr Dunkel first, insisting these were "internal reforms we would be compelled to adopt with or without GATT".

The Commission appeared divided yesterday on Mr MacSharry's exposition of the options for CAP reform. And this is before concrete measures are laid before EC farm ministers, who last year

required eight European council meetings to agree on a 30 per cent reduction in internal farm supports - over 10 years backdated to 1986 - which was roundly rejected at the Uruguay Round summit.

The Commission is examining the possibility of:

- "Reorienting internal supports". This would entail some switch from production subsidies through price fixing to direct income support for smaller farmers;

● Measures to control supply, back in expensive surplus on beef, dairy produce and wheat;

● More aggressive set-aside policies to take cereal land out of production;

● Much more funding for "structural" measures to ease through changes - currently 96 per cent of EC farm spending is on market support;

● Measures to safeguard the countryside and promote non-food use of agricultural produce.

Blüm offers deal in prescription drugs row

By Katharine Campbell in Frankfurt

GERMANY'S social services minister, Mr Norbert Blüm, has offered to scrap his plan for sharply lower drug prescription charges in east Germany if the pharmaceutical industry pays a hefty contribution to help prop up the faltering health insurance schemes in the east.

He made the offer after a long meeting with drug industry leaders, many of whom have been refusing to deliver goods to east Germany since the beginning of the year in protest at a new law enforcing a 55 per cent discount on drugs prescribed in east Germany.

The boycott, coupled with panic buying in advance of the measure, has led to complaints of serious shortages.

The industry, which had offered a one-off payment of DM900m (£231m), is now being asked to contribute DM500m for the year from April 1, DM1bn for 12 months from April 1993, and a further DM700m until the end of 1993. If the insurance companies' deficits exceed these figures, the industry will split the additional costs equally with the state.

Mr Theo Waigel, the finance minister, added a further commitment of DM600m from the central government coffers by effectively writing off a start-up loan for working capital made to the eastern social services system last year.

The latest estimates from Rank Screen Advertising, the UK's largest cinema advertising contractor, suggest at least 91m cinema tickets were sold in 1990 compared with 88m in 1989.

This means cinema attendances increased for the sixth successive year. Cinema attendances reached their peak in the UK during Hollywood's heyday of the 1940s, but fell

UK NEWS

Protest at Oftel cellular proposal

By Paul Abrahams

THE FEDERATION of Communications Services is considering legal action against Oftel, the UK telecommunications watchdog, following its recommendation that cellular network providers should be allowed to retail services directly to the public by 1993.

Mr David Savage, chairman of the cellular service provider group of the FCS, the main telecommunications industry association, warned yesterday that the success of the UK cellular telephone industry, which with £700m of airtime revenues a year and more than 1m customers is the world's largest, could be jeopardised if the recommendation was put into practice.

He said the FCS had asked lawyers to consider whether

Oftel had followed the correct procedures before making its recommendation last June. He added that he was concerned about Oftel's ability to cope speedily and efficiently with the increased regulatory load likely to occur when the government liberalises the British telecommunications market later this year.

Under Oftel's recommendation the two network operators, Vodafone and Cellnet, should be allowed to retail cellular services directly to consumers. At present they can act only as wholesalers, providing capacity to independent retailers.

Mr Savage said: "If something isn't broken, you shouldn't try to fix it. The existing system may not be

perfect

but

has

never

theless

been

highly

successful

in

stimulating

consumer

choice

and

market

growth".

Oftel's recommendation risked reducing both choice and competition, said Mr Savage. He said the introduction of such large companies into the market would artificially accelerate consolidation in the industry.

In response to the government's proposals to liberalise the telecommunications industry, the FCS is to ask the Department of Trade and Industry to consider refusing licences to companies unless they sell 80 per cent of their capacity to third parties. This would prevent large groups providing cellular services to their employees at wholesale rates by setting up as retailers.

Cellular retailers have been suffering in recent months from a slow-down in market

Cinema sales rise for sixth year

By Alice Rawsthorn

THE CINEMA industry enjoyed its best year for a decade in 1990 with record advertising revenue and box office receipts and the highest number of ticket sales for 10 years.

The popularity of escapist movies such as *Ghost* and *Pretty Woman* helped boost box office receipts. The industry performed particularly well over Christmas thanks to the success of the children's films *Home Alone* and *Teenage Mutant Ninja Turtles*.

The latest estimates from Rank Screen Advertising, the UK's largest cinema advertising contractor, suggest at least 91m cinema tickets were sold in 1990 compared with 88m in 1989.

This means cinema attendances increased for the sixth successive year. Cinema attendances reached their peak in the UK during Hollywood's heyday of the 1940s, but fell



Turtle power: children's films lifted Christmas sales

into decline in the 1950s because of the growth of television.

Attendances fell steadily until 1954 when just 54m tickets were sold.

Three means cinema attendances increased for the sixth successive year. Cinema attendances reached their peak in the UK during Hollywood's heyday of the 1940s, but fell

Claims for fire damage rise sharply

By Richard Lapper

INSURANCE claims in the UK for commercial fire damage rose more than 30 per cent in the third quarter of 1990 to a record £225.1m, the Association of British Insurers said yesterday. Claims for domestic fire damage rose 14.6 per cent to £53.3m.

Total claims in the year to September 30 1990 rose 21.4 per cent to £954m.

The figures are more bad news for the insurance industry, which suffered losses of more than £2bn from last winter's storms.

After a dry summer losses from subsidence amount to a record £80m.

These include *Rocky V*, *Three Men and a Little Lady*, *Look Who's Talking* and *Honey I Shrunk the Kids*, and *Total Recall*, the science fiction film starring Arnold Schwarzenegger.

The industry is confident of another buoyant year in 1991. A number of successful Hollywood sequels are scheduled to open in the UK over the next few months.

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That is one face of the circus - a part of British life for two centuries but which during the 1980s had a tough time to adapt to changing tastes.

A more rosy aspect is presented by Mr Chris Barlrop, ringmaster at Oxfordshire-based Chipperfield's Circus - a famous circus company which has spent the past four years away from Britain on tour in Malaysia, Hong Kong and Singapore.

On the circus's return to the UK, Mr Barlrop has been pleasantly surprised. Chipperfield's show in London - one of three circuses in the capital during the Christmas period - has been well supported, he says.

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More seek asylum in Germany

By David Marsh in Bonn

THE NUMBER of foreigners applying for political asylum in Germany last year rose 55 per cent to a record 193,000, adding powerfully to pressures on housing and social security caused by inflows of ethnic Germans from eastern Europe.

Romania, with 35,345 applicants, headed the list of countries whose citizens sought asylum in Germany last year. This compared with just over 3,000 Romanian refugees in 1989. Other significant flows came from Yugoslavia, Turkey, Poland, Lebanon, Vietnam, and Afghanistan.

The asylum figures were published a day after statistics showing a record influx of 397,000 Aussiedler or ethnic German emigres into Germany from eastern Europe in 1990, compared with 377,000 in 1989.

The percentage rise in the Aussiedler volume was much smaller, however, than that for the asylum-seekers, of whom there were just over 121,000 in 1989.

Mr Wolfgang Schäuble, the interior minister, called yesterday for a co-ordinated European policy to deal with the increasing number of asylum-seekers from eastern Europe and the Third World.

He pointed out that Germany was the destination of roughly half of all refugees seeking political asylum in western Europe.

Inflaming the political sensitivity of the issue, only a very small number of people applying for asylum end up being officially recognised as refugees.

The German authorities certified only 4.4 per cent of applicants last year as being eligible for protection on the grounds that they were being politically persecuted.

Miners march on Ankara

Thousands of Turkish coal miners yesterday set out to march to Ankara in the wake of Thursday's one-day general strike, in the most visible display of union militancy in more than a decade, writes John Murray Brown in Ankara.

Little drama accompanied the occasion in sharp contrast to the election in August 1989 of his predecessor, Mr Tadeusz Mazowiecki, as the Soviet bloc's first non-Communist prime minister. Mr Bielecki, a quiet unassuming man, took his seat on the cabinet next Thursday.

Mr Leszek Balcerowicz, at present in charge of the economy, is to stay in place, while Mr Andrzej Zawislaw, an academic specialising in management, is to be industry minister. Mr Janusz Lewandowski, a liberal free marketeer from Gdańsk, and Mr Dariusz Ledwochowski, a deputy foreign trade minister, is to be promoted to minister.

Mr Adam Tarczki, a deputy finance minister, is to be farming minister, an appointment which, like the ministry from the farming lobby thus far, is to be filled by a close associate of the prime minister.

Mr Bielecki will today propose his government to parliament and after hearings by the parliamentary committees the chamber will vote on the cabinet next Thursday.

In a short speech he described himself as "Solidarnosc man" and promised to implement a "market economy" - which was always that movement's ultimate aim.

He gave a pledge to "restore normality" and said he hoped that present "sacrifices would give way to efficiency".

Mr Lech Walesa, who was elected president last month, voted in favour of the man he nominated.

Among those voting against were Mr Bielecki's 58 deputies from the Polish People's party (PSL), which represents peasants and which is demanding guaranteed minimum prices for farm produce.

Those who abstained included 52 deputies from the



Hands raised in Poland's parliament yesterday to vote in Mr Bielecki (right) as prime minister

Bielecki elected as Poland's premier

By Christopher Bobinski in Warsaw

POLAND'S parliament yesterday voted to accept Mr Jan Krzysztof Bielecki, a 33-year-old business consultant, as the country's prime minister.

ROAD group which supports Mr Mazowiecki.

Mr Bielecki will today propose his government to parliament and after hearings by the parliamentary committees the chamber will vote on the cabinet next Thursday.

Mr Leszek Balcerowicz, at present in charge of the economy, is to stay in place, while Mr Andrzej Zawislaw, an

Bankers deliver blow to ECGD sell-off plans

By Peter Montagnon, World Trade Editor

PLANS to privatise part of the Export Credits Guarantee Department have suffered a setback because of dwindling interest from clearing banks, once seen as possible bidders for it.

ECGD's short-term export credit insurance business, based in Cardiff, is to be privatised later this year. However, bankers say the cost of owning it would be prohibitive because of big capital requirements that would be imposed by the Bank of England.

Their waning enthusiasm means that the list of potential bidders is likely to be shorter than originally expected, limiting the price the government can expect to achieve.

It has also prompted controversy over the different regulatory treatment of banks and insurance companies, which would not be subject to the same strict capital requirements as banks if they bought the ECGD.

The London Chamber of Commerce, British Exporters Association and the Confederation of British Industry are considering contacting Mr Tim Sainsbury, trade minister, to express their concern over the impact on exporters of the sale.

Hong Kong bus group buys Essex operator

By Richard Tomkins, Transport Correspondent

ONE OF the most unusual changes of ownership in Britain's rapidly changing bus industry was made public yesterday with the announcement that Mr T. T. Tsui, said to be the fifth-richest man in Hong Kong, had stepped into the market.

His Hong Kong-based CNT Group bought the local bus operations of Ensign Bus Services last week for an undisclosed sum believed to be several million pounds.

Ensign, based in Purfleet, Essex, runs 87 blue-and-silver buses in the Romford, Dagenham and Barking areas of London and Essex, mainly on routes put out to tender by London Transport. It also operates the London Pride fleet of sightseeing buses and has sales and engineering activities, but these are not included in the sale.

The services taken over will be formed into a new company called Ensign Citybus which Mr Tsui expects to form the core of an expanding bus operation in the UK.

Mr Tsui runs a big bus operation in Hong Kong. CNT Group owns Citybus Ltd which operates more than 100 air-conditioned, double-decker Leyland Olympian coaches in Hong

we fully understood the implications as far as capital requirements were concerned."

Other clearing banks said they would also be deterred by Bank of England rules requiring a bank purchase to treat the £13bn-£14bn of exports insured by Cardiff as if they were loans for capital requirement purposes.

This makes the business unattractive to banks, leaving the bidding open to insurance companies only. Two such companies, Trade Indemnity and Sun Alliance, have publicly expressed an interest in buying ECGD, but the government and Samuel Montagnon, its advisers, have a strong list of bidders in an effort to generate some real competition.

A concerted approach to the government from several trade associations is expected before the sale is debated in parliament this month.

The London Chamber of Commerce, British Exporters Association and the Confederation of British Industry are considering contacting Mr Tim Sainsbury, trade minister, to express their concern over the impact on exporters of the sale.

Richard Lapper

Kong and the neighbouring areas of China. His other interests include the China Paint Company, the China Harbour View Hotel and Rediffusion Hong Kong.

Ownership of the UK bus industry has been in a state of flux since deregulation brought the break-up of the state-owned National Bus Company in 1986.

Recently there has been aggressive expansion of operators such as Stagecoach Holdings, Badgerline Holdings and Drawlane Transport Group, which have grown rapidly.

Mr Tsui's move is believed to be the first by an overseas entrepreneur into the UK into a market which up till now has remained the preserve of domestic operators.

Britain's bus industry is the only one of any significant size in Europe to have been deregulated. This has led to fears that it could be vulnerable to competition from operators in countries which did not allow it to recapture.

Yesterday the Bus & Coach Council, the UK industry association, said it saw Mr Tsui's interest as a positive sign. "We welcome investment from any source," it said.

Property developer to face winding-up plea

By David Waller

A WINDING-UP petition has been brought against Land & Property Trust (LPT), a private property development company controlled by Mr Berth Berger, the descendant of the Berger property dynasty which has assets estimated at about £400m to £500m net.

The forced winding-up of the company would worsen difficulties in the property market.

The petition was taken out by John Lelliott, the main contractor on the Point West development in west London, which is being built by a subsidiary of LPT. The project,

one of the largest residential developments under way in London, went into receivership just before Christmas.

Lelliott refused to give the grounds for the litigation yesterday. LPT was unavailable for comment.

Mr Tony Houghton, the Touché Ross partner who is receiver at Point West, said the winding-up order affected the parent company and not the Point West development. He had postponed the contract with Lelliott for one month while the feasibility of the project was examined.

In Westminster comments on the exchange rate are handled with care. The Labour party has focused on arguing for a cut in interest rates to avoid a worse recession than necessary.

Mr John Smith, shadow chancellor, was asked in his FT interview this week whether he was sympathetic to setting a lower central rate for the pound. "No," he answered simply.

It is the government's job to give monosyllabic responses to questions about interest rates and the pound. For if the markets caught a whiff of any intention to lower sterling's central rate within the exchange rate mechanism, it could make the pound vulnera-

ble on the foreign exchanges.

The devaluation debate has quickened, however, as the evidence has mounted that the government locked sterling into the ERM in the middle of the fiercest recession since the 1930s, according to Sir Alan Walters, the former personal economic adviser to Mrs Thatcher who is leading calls for a devaluation.

In Westminster comments on the exchange rate are handled with care. The Labour party has focused on arguing for a cut in interest rates to avoid a worse recession than necessary.

Mr John Smith, shadow chancellor, says: "The markets have already discounted a prospective cut in interest rates and it could be effected without a downward effect on sterling."

He attributes the government's predicament largely to its handling of ERM entry, par-

Reviving the spectre of sheep-and-goats schooling

Norma Cohen reports on reactions to the government's move to greater flexibility in the curriculum

IT IS a widely accepted principle that students in their final years of compulsory schooling should be doing all they can to prepare themselves for the real world.

Therefore, the decision of Mr Kenneth Clarke, education secretary, to unravel a key portion of the government's 1988 Education Reform Act and allow greater flexibility in the curriculum for older pupils was, generally, greeted with enthusiasm.

"I am delighted," said Mr John Sutton, general secretary of the Secondary Heads Association. "We've been telling the government for some time that 10 subjects at key stage 4 (14- to 16-year-olds) would not work."

Similarly, Mr Vivian Anthony, general secretary of the Headmasters' Conference, which represents the most prestigious private schools, said: "This receives our whole-hearted support. It's exactly what we've been asking for."

However, in the process of unlocking the curriculum to make room for a wide variety of academic and vocational subjects, Mr Clarke has once again raised the spectre of a two-tiered system of qualifications for school-leavers.

The revisions also appear to open the door to a system of largely vocational education for less academically able youngsters beginning at age 14. Such a system was broached in November by Mr Tim Eggar, education minister, but was quickly scuttled by aides to Mr John MacGregor, former education secretary.



Change of course: pupils will no longer have to tackle 10

mathematics, science and English - will have to be studied.

Technology and modern languages may be studied in an abbreviated form and students will have the option of dropping either history or geography completely or taking a watered-down version of both.

Art and music become optional subjects. Students may replace optional subjects either with other non-national curriculum subjects or, as appears even more likely, may replace them with vocational studies.

Mr Clarke said yesterday he

did not believe the shortened courses would force a return to the dual system of credentials for school-leavers, which had prevailed before GCSEs.

The government's advisory body on examinations and Assessment Council, "will have to address itself to what lies at the end of the shortened courses," he said.

But the council's reaction was to say: "That worries us very much, because we may return to a dual system of exams which we spent 20 years trying to get rid of."

The National Curriculum Council said: "CSEs and O Lev-

els were very much a sheep-and-goats affair."

While the academically able goats went on to take O Levels, sheep were encouraged to set their sights lower, pursuing only CSEs in certain subjects. These CSE qualifications never attained the status of O Level exams.

How employers or institutes of higher education will view the new half-measure GCSE qualification is unclear.

Certainly, much depends on the type of exam devised to measure it and public perceptions of the degree of rigour required to pass it. Further,

BRITISH PSYCHOLOGICAL SOCIETY

Use of graphology criticised

By Diane Summers, Labour Staff

COMPANIES are being warned today against using graphology - the study of handwriting - as an aid to recruiting employees or selecting them for promotion.

The warning will be given at the British Psychological Society's conference in Cardiff. It follows research which is said to show that handwriting analysis results almost completely failed to match more tested methods of selection.

Graphology is particularly popular in France, Germany and the Netherlands. Its use in the UK has been limited. Estimates of organisations using graphology vary from fewer than 1 per cent to nearly 8 per cent. Some companies do not like to admit openly they use the technique.

One company that is open about using graphology is SG Warburg, the investment bankers. Handwriting analysis was personally favoured by the man who founded the com-

pany, Sir Siegmund Warburg. The company said it was interested in the research findings but was likely to carry on using the technique. "We have used graphology for many years. We have a fair degree of confidence it has its place in the recruitment process," said the company.

Warburgs, which employs 5,000 people worldwide and 3,000 in the UK, emphasised that it used handwriting analysis only as an adjunct to extensive interviewing of prospective executives.

Graphology could become more common as growing numbers of companies based in other EC countries set up subsidiaries in the UK, said Mr Jon Cox from British Telecom and Ms Jane Tapsell from Austin Knight Consulting, the two psychologists who carried out the research.

Their findings are that the main sources of driver stress were: other drivers' behaviour; bad weather conditions; having to keep to a strict

time schedule; and worries from home or work.

Drivers were more stressed in the evening than in the morning, Mr Ian Glendon from the Austin Business School told the British Psychological Society conference. This was probably because of the accumulated stress of the day.

Older employees found driving less stressful than younger ones, coped better and were more relaxed in traffic jams, the study found. These drivers also showed highest stress levels in the middle of the week.

Younger drivers were more stressed towards the end of the working week "as they looked forward to exciting weekends", according to the study.

Stress warning for staff who drive

By Diane Summers, Labour Staff

EMPLOYEES WHO drive to work or use a car as part of their job should be taught relaxation techniques to avoid driving themselves round the bend with stress, according to the latest research on the effects of regular driving.

The recommendation is part of a 10-point plan being put forward to employers by the Health Promotion Research Trust, after a study carried out by psychologists from Aston University in Birmingham.

A survey of about 700 regular drivers from companies which included Du Pont (UK) and Avon Cosmetics showed that the main sources of driver stress were: other drivers' behaviour; bad weather conditions; having to keep to a strict

time schedule; and worries from home or work.

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As well as teaching relaxation techniques, companies should carry out an audit of their driving needs, the research recommends. Young employees, in particular, should be targeted for advice on how to reduce driving stress.

On an individual level, the study recommends keeping a driving diary for a week to see which situations are found to be particularly stressful. Listening to a car radio or tape was found to be an effective way of reducing stress while driving.

It is estimated that about 5m cars are used each day for work on the UK roads. In the European Community as a whole, about 50m cars are in regular use for work.

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FINANCIAL TIMES

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Mr Major's challenge

MR John Major has the reputation of being a very political politician. Why, then, did he introduce a policy, when chancellor, which will make it impossible to do what everyone assumes a politician should do, namely, buy the election? Either he is a consummate actor or, far from being a political pugilist, is an ideological tiger.

The latter hypothesis looks increasingly plausible. Mr Major probably does believe that lowering inflation to the European levels via membership of the Exchange Rate Mechanism at the current parity is politically astute and intrinsically desirable. His problem and that of the chancellor is that many people find it impossible to believe that he really believes this.

Such scepticism creates a vicious circle. Especially with the date for a general election getting close, the high price of making the government's policy credible is undermining its credibility and increasing its price. None the less, the government must persist. It has no alternative.

How did the government get itself into what is increasingly seen as a pretty pickle? The obvious answer is that two developments were unforeseen at the time of entry at the beginning of October: the first was the limited credibility of the ERM commitment; the second was the rapidity with which the UK economy was entering recession. Taken together these two have made the deflationary force of ERM stronger and more immediate than was generally expected.

Decidedly weak

Almost from the first few hours sterling has been decidedly weak. One explanation for the weakness is the stage of the cycle. Sterling has been managed within a band of about 10 per cent on either side of DM3 for four years. Having followed a steep depreciation in 1986, that exchange rate was initially seen as rather low. Until the summer of 1988 the main problem, therefore, was to keep sterling down. The monetary consequence was an inflationary expansion that undermined the exchange rate. For more than two years, the main challenge has been to keep sterling up.

In this way, the UK has already enjoyed its honeymoon, back in 1987 and 1988. But for the almost complete absence of more than a momentary second honeymoon, the bold decision to enter the ERM at a demanding rate and the mistaken policy to lower the base rate of interest simultaneously are responsible.

When you take the establishment to an industrial tribunal things get very rough and very dirty.

WOMAN IN THE NEWS

Alison Halford
Tough stand
in a
man's worldBy Alan Pike and
Ian Hamilton Fazey

Alison Halford, Britain's most senior woman police officer, has generally kept her own counsel over her decision to take action alleging that sex discrimination has impaired her promotion prospects. But her rare and bitter comment last month shows that the case has already provoked extraordinary depths of feeling.

Connaisseurs of police internal politics have had a grand time following the twists and turns of the affair, and the tribunal hearings do not even begin until next week.

Ms Halford, an assistant chief constable in the Merseyside force, initiated her sex discrimination action in September.

Since then:

- she has herself been suspended from duty pending possible disciplinary action;
- Mr George Bundred, chairman of Merseyside police authority, has withdrawn from further participation in disciplinary processes involving Ms Halford following an allegation that he had described her as a lesbian;
- newspaper reports have appeared of Ms Halford swimming in her underwear in a Merseyside businessman's pool while on duty;

- on Thursday Ms Halford, claiming that as a suspended officer she had the status of a member of the public, lodged a formal complaint against Mr James Sharples, her chief constable, alleging neglect of duty.

Many police officers, female and male, believe that the service's culture is not promoting to the highest rank and could benefit from public scrutiny. They hope that Ms Halford's industrial tribunal hearing will prove less lurid than its preliminaries and provide a forum for airing significant issues in a calm way. Time will tell.

Alison Halford, 50, grew up in Norfolk and attended Notre Dame Roman Catholic school in Norwich. She joined the

Metropolitan Police in 1961, was a sergeant within four years and went off to fast-track training at the service's Bramall college. By the age of 35 she was a chief inspector commanding central London's bus. The Oldham Court Road police station, the first woman to do the job.

Seven years ago she became an assistant chief constable at Merseyside, taking charge of personnel and training and later moving to the complaints and discipline division.

It was during these years that she showed her concern about the treatment of women in the police service. In 1987 she wrote an article in the *Journal of Police Review*, accusing the service of resentment and mistrust of women's competence.

Attempts at further advancement failed — she is said to have made nine bids for more senior posts — and last autumn she began her sex discrimination action. This named Mr Sharples; Sir Philip Myers,

then Mikhail Gorbachev told his fellow countrymen in his new year address that they had "no more sacred task" than the preservation of a united Soviet Union, he chose his words with care. For the Soviet leader has launched little less than a religious crusade to preserve the union, against all the odds.

It is a campaign for which he appears to have abandoned his earlier hopes of rapid and radical economic reform, and thrown in his lot with those conservative forces which have until now been most suspicious of perestroika, glasnost, and the transition to a market economy.

On Soviet television on Thursday night, announcing that he had reached agreement with the 15 union republics on a temporary division of economic powers and responsibilities, President Gorbachev appeared both hugely relieved, and exhausted.

He tried to joke about the importance of the whole affair. Yet it was far from a vintage Gorbachev. His pauses between words were so long that the obsequious interviewer was forced to interrupt to keep him going.

Details of the deal have yet to be revealed. Even when they are, it still has to be approved by the parliaments of all 15 republics. It may even have to be agreed by the parliaments of another 20 autonomous republics, each one representing another ethnic group to which Joseph Stalin, seeking to divide and rule, saw fit to grant a fragment of independence.

Today that crazy patchwork of union republics, autonomous republics, autonomous regions and national territories, none of which meant a jot in the days of Stalin, has come back to haunt the much more democratic Mr Gorbachev as he tries to negotiate a new Union Treaty.

That document, the constitutional basis of the entire Soviet federation, is only now beginning to be discussed in earnest, although it was originally supposed to be agreed by the end of 1990. Crucial questions such as who decides the taxes, who spends them, and who will have how many votes in the future central government, are just beginning to surface 12 months after the subject was raised.

The past year has seen instead a hectic process of every possible local entity seeking to declare its own sovereignty, autonomy, or even independence, regardless of its constitutional basis or practical meaning.

Every single union republic has issued a declaration of sovereignty, most of which insist blithely that republican laws take precedence over union laws. Precisely what they mean in practice, nobody knows. But the effect has been to create what Mr Gorbachev has called a "war of laws", with the result that nobody knows which to obey.

That is compounded by trade barriers, as each town and region, as well as the republics, imposes restrictions on who can buy what scarce foods and consumer goods, and what can be taken out of town.

It is not only a problem for Mr Gorbachev. Mr Boris Yeltsin, president of the Russian federation, which contains just over half the Soviet population, three-quarters of its territory, 90 per cent of its oil, and contributes 63 per cent of Soviet national income, is facing a partial revolt. Of the 16 autonomous republics which are part of the Russian federation — places as exotic as Udmurtia, Tuva, Tataria, Yakutia and Dagestan — 14 have now issued their own sovereignty declarations or decrees.

What the government must not do is resign sterling, let alone leave the ERM altogether. That would leave it without so much as a figleaf of counter-inflationary credibility. That so many want this so soon is the most convincing evidence of the floundering of the credibility of the present policy and so limit its likely costs.

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UK COMPANY NEWS

Move into Europe blamed for fall in US purchases

By Jane Fuller

BRITISH companies' appetite for US acquisitions fell dramatically last year. And the issue of shares accounted for a larger proportion of the purchases.

A greater interest in moving into continental Europe and a lack of money were advanced as reasons for the decline.

J.P. Mervis*, the London-based corporate finance adviser, reveals in a survey that in 1990 the total amount spent acquiring companies in the US fell by 61 per cent from \$27.9bn to \$10.9bn, or 5.6bn at yesterday's exchange rate. Share issues accounted for \$2.7bn of the considerations, a higher proportion than the previous year.

A total of 195 companies were bought 40 per cent less than the 326 bought in 1989. That year was the first to show a decline since 1983, but the drop was more severe in 1990.

As with the previous year, Mervis points out that UK companies have turned their attention to continental Europe to prepare themselves for the single market. While UK buyers remain the most active of the Europeans, the approach has been to acquire small companies in large numbers. Continental rivals went in for a smaller number of large, strategic purchases.

Ms Elizabeth Wilmott, one of the survey's compilers, said another reason for the fall was that it had become more difficult for UK companies to find the money. Profits had tended to fall and it was not so easy to raise money either by borrowing or the Stock Exchange.

Currency fluctuations never

ACQUISITIONS IN US						
	1990	1989	1990	1989	1990	1989
	Price (\$m)	Number	Price (\$m)	Number	Price (\$m)	Number
Natural resources	2,520.5	13	4,641.6	12		
Financial and corporate services	1,880.4	15	1,976.0	37		
Consumer products and services	1,375.5	10	4,712.2	27		
Industrial products	1,297.5	26	797.4	43		
Electronics and security hardware	935.2	27	2,545.5	34		
Building and building materials	653.1	17	839.9	38		
Publishing and information services	501.2	15	1,567.6	23		
Retail	500.5	6	562.1	4		
Specialty chemicals	470.4	18	807.5	23		
Industrial services and distribution	339.9	30	683.8	46		
Paper, packaging, printing	186.5	3	557.6	16		
Property	140.2	3	313.8	5		
Food, beverages and agriculture	101.5	7	1,749.5	15		
Medical	25.0	5	6,365.1	3		
Total	10,940.4	195	27,909.6	326		

seemed to have had much of an influence on purchasing patterns, but worries about the US economy had become a deterrent, she added.

The size of deals also shrank. The top of the pile was the \$1.25bn purchase by Rockwell & Colman, the household products, food and drug group, of Boyle Midway. There were only three transactions of more than \$1bn, compared with five, all at more than \$1.5bn, in 1989.

Two Hanson acquisitions, the biggest being Peabody, the coal mining concern, ensured that natural resources became the most popular sector with deals totalling \$2.52bn (\$4.84bn). The 1989 leader, consumer products and services, showed one of the sharpest

declines to \$1.38bn (\$4.71bn).

The most active companies were MTM, the UK specialist chemicals manufacturer, and Rentokil Group, the environmental services and property care group, which each made six purchases.

Geographically, the south-east overtook the north-east as the most popular area, but all fell back except the south-west.

While the British were drawing in their horns, the Japanese increased their investment with deals totalling \$600m.

* *A Survey of Acquisitions and Investments in the United States of America by British Companies in 1990*, P Mervis & Co, 61 Doughty Street, London WC1N 2NH. £200.

Canadian garden tool purchase by Hanson

By David Owen

HANSON, the industrial conglomerate, yesterday moved to expand its interests in the North American garden tool sector with the \$13.7m (\$7.1m) acquisition of the Canadian assets of Garant.

Garant is the largest Canadian maker and distributor of non-powered lawn and garden implements and snow shovels.

It will become a division of Ames, Hanson's existing US-based tool operation.

According to Sir Gordon White, chairman of Hanson Industries, Hanson's US arm, the "bolt-on" deal is intended to "strengthen Ames' position in the entire North American market". Until now, Ames' sales of shovels, pitchforks, garden shears, wheelbarrows and the like have been concentrated mainly in the US.

In the year ended November 30, Garant had estimated sales of \$1.25m and operating profit of \$1.5m. Net asset value at the end of the period was put at \$13.7m.

Hanson, which reported record pre-tax profits of £1.29bn on turnover of £7.15bn in the year to September 30, classifies Ames alongside Jacobs and Kaiser Cement among its US building products businesses. These contributed trading profits of \$66m (£275m) and sales of £555m (£644m) to the group's 1990 results.

Hanson said that Ames had improved earnings, in contrast to most other businesses in its building group, "by aggressively marketing new plastic moulded products and reducing costs". The group describes Ames as a "relatively small company" in the context of its US building products division.

A case of poor public relations

Alice Rawsthorn on the Shandwick chief's amended share proposal

IT IS not that I regret my decision," said Mr Peter Gummer. "But I am regretful in the sense that people might think we made a misjudgment."

Mr Gummer, chairman of Shandwick, the world's largest public relations group, has just ended a gruelling week. On Thursday he announced he was changing the terms of his proposed sale of Shandwick shares to an Employee Share Ownership Plan.

Instead of raising £1.8m by selling 2m shares at 90p to the ESOP, as he originally hoped, Mr Gummer has been forced to make an embarrassing *reto face* and will raise just £251,190 by selling 1.25m shares at 51p to the ESOP and 418,000 shares to his own private pension fund.

The story began at Shandwick's annual general meeting in December when Mr Gummer announced his original proposal to shareholders. The Shandwick board had been considering plans for an ESOP since April as a way of providing equity participation for employees at a time when its low share price had made their share options virtually worthless.

Mr Gummer, the brother of Mr John Gummer, the agriculture minister, needed to raise money to pay capital gains tax on a previous sale of Shandwick shares. At a board meeting held on the morning of the agm the Shandwick board approved the plan for him to sell shares to the ESOP. Mr Gummer abstained from the vote.

"I am infuriated by such a suggestion," said Mr Gummer.

"I still hold 6 per cent of the company and am 100 per cent committed to Shandwick. There was no question of a loss of confidence."

The institutions were also annoyed that the ESOP would not be buying shares on the open market. Their reaction was aggravated by concern about Shandwick's annual report which disclosed an £8.9m provision on acquisitions and that it was changing its year end. Such disclosures might have gone unnoticed in the confident stock



Trevor Humphries

Peter Gummer — no question of a loss of confidence

market of a few years ago. In the current climate they were interpreted as a negative light.

Shandwick's shares fell sharply from 90p on the day of the agm to 45p yesterday. By the time Mr Gummer announced his new proposals on Thursday his employees could have bought Shandwick shares more cheaply in the market than under his original plan without forfeiting dividend rights as they would do through the ESOP.

S.G. Warburg Securities, Shandwick's house broker, was also opposed to the original proposal. It had been involved in the preparation of the ESOP, but was not told about the plan without forfeiting dividend rights as they would do through the ESOP.

Shandwick's lawyers discovered an oversight in the documentation for the deal. The problem could have been solved but Mr Gummer decided to scrap his original plan. "In the light of the way the share price

had performed, I could not have done anything other than rescind the deal," he said.

It is difficult to assess how damaging the *debacle* has been to Shandwick. The chief concern is the impact on the share price which has almost halved since the agm mainly because of the reaction to Mr Gummer's original proposal.

A low share price does not pose a practical problem to Shandwick, in that, unlike Searle, it has the option to make its deferred payments on acquisitions in cash rather than shares. But it does affect market perceptions at a time when Mr Gummer is at pains to prove that the public relations is witnessing the recession far better than other areas of marketing, such as advertising.

A low share price does not pose a practical problem to Shandwick, in that, unlike Searle, it has the option to make its deferred payments on acquisitions in cash rather than shares. But it does affect market perceptions at a time when Mr Gummer is at pains to prove that the public relations is witnessing the recession far better than other areas of marketing, such as advertising.

He was adamant that revenue had "shown a satisfactory growth" so far this year. Shandwick is experiencing a slowdown in certain areas in the UK and US. However, he said it "would not shrink from doing whatever is necessary to protect margins". Shandwick recently announced 20 redundancies in London.

Nonetheless, James Capel has just downgraded it from **hold** to **sell** on the basis of pre-tax profits of £22m for the 15 months to October 31, against its initial forecast of £24.9m for the 12 months to July 31. This puts the shares on a prospective p/e of 3 on its yesterday's share price.

Meanwhile, Mr Gummer has been left to reflect on the irony that the main reason he did not make prior provision to meet his capital gains tax liabilities was that when he sold his Shandwick shares 18 months ago, he believed it was "perfectly reasonable" to expect the shares, then worth around £30, to go up.

Acorn appoints new chairman

By Alan Cane

MR ETTORE Moretti, chief executive of Olivetti Office, the Italian company's office systems division, has been appointed chairman of the UK-based Acorn Computer Group.

The move is believed likely to lead to a closer working relationship between Olivetti, Europe's fourth ranked computer supplier, and Acorn, one of the leading suppliers of computer systems to the UK education market.

Olivetti took a 79 per cent stake in the Cambridge-based company in 1985 after a sharp turn-down in the home computer market left Acorn and other personal computer manufacturers in serious difficulties.

Mr Klaus Fritsch, who has responsibilities for research

and development within Olivetti, and Mr Bruno Soggi, who was appointed chairman of Olivetti's office systems division, have also joined the board.

Mr Alessandro Ubaldi, CEO of Acorn, said yesterday that the two companies had been patchy; Acorn had carried out an as yet secret contract worth £1.2m for the parent company but the relationship had brought little in additional computer sales.

Acorn is a pioneer in a new chip design technology called reduced instruction set computing (risc) which is likely to play an increasingly important role in the design of personal computers and workstations.

It has agreed to form a joint company with Apple Computer and VLSI of the US to exploit the technology.

Clarke Nickolls further £6m provision

By Jane Fuller

CLARKE, Nickolls & Coombs, the property group which made an interim pre-tax loss following exceptional charges of £1.5m, announced that the property slump cost it a further £26m in the second half of the year.

The share price fell from 30p to 30p on the news.

Mr Richard Mals, managing director, said he expected almost all the £6m provisions to be taken above the line in the

home for Acorn than the Olivetti Systems and Networks division with its emphasis on sales of Olivetti equipment to large customers.

So far, he said, co-operation between the two companies had been patchy; Acorn had carried out an as yet secret contract worth £1.2m for the parent company but the relationship had brought little in additional computer sales.

Olivetti Office, with its need for use of equipment from other manufacturers, including Japanese photocopiers and facsimile machines, was a more natural

partner for Acorn than the Olivetti Systems and Networks division with its emphasis on sales of Olivetti equipment to large customers.

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Rhode Island crisis fails to affect R Bank of Scotland

By David Lascelles, Banking Editor

The Royal Bank of Scotland said yesterday that the crisis which has hit part of the local banking industry in Rhode Island, had placed a 17.5 per cent stake at 350 on December 17.

Mr John Pittard, managing director, said the Luton bank's shareholding, which

gives his company a well-connected continental ally, as friend.

SG Warburg had introduced him to Atel several months ago.

Mr Andrea Cattaneo, of

Atel, said yesterday he hoped the shareholding would lead to mutual benefits.

The bank's Credit Commercial à Moyen Term division specialises in finance for leather traders and machinery manufacturers.

Pittard's shares rose 6p to 61p yesterday, after jumping by 15p over the previous two days.

Strong & Fisher, Pittard's UK rival which was recently rescued by Hillsdown Holdings, had placed a 17.5 per cent stake at 350 on December 17.

It has not yet done any such business for Pittard. "They haven't offered and we haven't had occasion to ask," Mr Pittard

said. He attributed the 50 per cent rise in share price to since New Year's Eve to recognition of Pittard's recovery prospects and the break-up of Strong's share stake.

Strong, now 70 per cent owned by Hillsdown, still holds 9.9 per cent of Pittard. It was forced to sell the rest by Mr Peter Liley, trade and industry secretary, as the price for allowing the Hillsdown rescue.

Atel received some of the shares placed last month and raised its holding above 3 per cent on Thursday.

Hollas lower after worse than expected trading

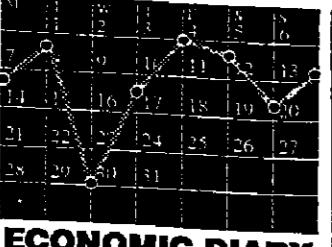
By Jane Fuller

The recession in advertising has forced further job cuts on Invicta Sound, the USM-quoted commercial radio station based in Kent.

The share price of local radio companies have fallen by between 27 and 71 per cent over the past 12 months as advertising revenues have fallen.

At Invicta, 11 members of staff have been made redundant, cutting costs by a total of £250,000 in the current year.

Since the beginning of 1990, the number employed had fallen from about 70 to 55, said Mr Nigel Reeve, managing director.

**ECONOMIC DIARY**

TODAY: Foreign ministers of Pakistan, Iran and Turkey meet in Islamabad for talks on regional co-operation.

TOMORROW: Mr John Major, prime minister, visits the Gulf (until January 9). Presidential run-off election in Guatemala.

MONDAY: Credit business (November). Retail sales (November-finish). London and Scottish banks quarterly analysis of lending (September-November). London sterling certificates of deposit (November). Monetary statistics (including bank and building society balance sheets in November). Bill turnover statistics (November). Sterling commercial paper (November). Talks resume in Bonn on the formation of German Chancellor Helmut Kohl's new coalition. European Community Commission meets Luxembourg government to discuss programme for the presidency. Parliamentary conference in Helsinki on co-operation in the Baltic Sea area (until January 9). The personal bankruptcy application by BZW and Lehman Brothers against Mr Asil Nadir resumes.

TUESDAY: Personal income, expenditure and saving (third quarter). Industrial and commercial companies (third quarter). European Community holds inter-governmental conference on political union in Brussels. Supreme Soviet opens new session. Sudan will inaugurate its second seaport at Swakin on the Red Sea.

WEDNESDAY: Overseas travel and tourism (October). Advance energy statistics. Comecon, the one-time all-Communist trading organisation, holds two-day meeting in Sofia.

THURSDAY: Housing starts and completions (November). Central American presidents hold two-day meeting in Mexico with Mr Carlos Salinas, Mexico's president. By-elections in 10 Pakistani National Assembly seats. The Swedish government presents its budget for fiscal year 1991/92.

FRIDAY: Usable steel production (December). US producer price index for December. Mr Douglas Hurd, foreign secretary, begins tour of Bahrain, Qatar, United Arab Emirates, Jordan and Turkey.

FT-ACTUARIES SHARE INDICES

The Financial Times Ltd 1990. Compiled by the Financial Times Ltd in conjunction with the Institute of Actuaries and the Faculty of Actuaries

EQUITY GROUPS

Friday January 4 1991 The Jan 3 Wed Jan 2 Mon Dec 31 Year ago (approx.)

& SUB-SECTIONS

Figures in parentheses show number of stocks per section

	Index	Day's Change	Est. Earnings Yield (%)	Gross Div. Yield (%)	Ex P/E Ratio	Ex adj. to date	Index No.	Index	Index	1990/91	Since
	No.		(Max.)	(Act at 25%)		1991	No.	No.	No.	High	High
1 CAPITAL GOODS (118) ..	709.06	+0.3	14.96	6.70	8.16	0.00	707.77	715.03	719.22	955.25	960.4 / 1 / 90
2 Building Materials (25) ..	969.60	+0.1	14.85	6.30	8.29	0.00	559.69	955.66	1171.02	1188.21	1188.21 / 3 / 90
3 Contracting, Construction (31) ..	1111.51	+0.5	16.56	7.08	7.85	0.00	1117.59	1130.98	1136.06	1612.50	1621.47 / 1 / 90
4 Electricals (10) ..	1902.98	+0.1	14.77	7.01	8.28	0.00	1674.01	1861.83	1882.35	2723.67	2751.15 / 4 / 90
5 Electronics (26) ..	1520.59	+0.8	10.53	5.66	12.65	0.00	1508.26	1518.10	2020.44	2044.79	2497.00 / 1 / 90
6 Engineering-Aerospace (6) ..	397.26	+0.4	16.90	6.15	7.09	0.00	395.75	396.80	398.60	491.32	502.42 / 136 / 90
7 Financial Services (47) ..	2494.53	+0.2	17.27	8.42	7.44	0.00	2465.80	2502.30	2505.48	2515.76	2515.76 / 6 / 90
8 Metals and Metal Forming (9) ..	288.40	+0.3	17.30	8.24	7.34	0.00	289.59	294.18	296.49	309.95	309.95 / 4 / 90
9 Motors (13) ..	1021.25	+0.3	12.82	6.68	8.34	0.00	1218.92	1229.21	1243.92	1765.99	1774.44 / 3 / 90
10 Other Industrial Materials (20) ..	1215.75	+0.3	12.24	5.92	8.04	0.00	1207.73	1576.91	1591.87	1593.47	1650.50 / 207 / 90
11 CONSUMER GROUP (181) ..	1219.20	+0.4	10.24	4.91	12.03	0.00	1039.91	1030.91	1081.56	1214.42	1249.90 / 1 / 90
12 Food Manufacturing (20) ..	1035.62	+0.7	11.15	4.79	11.07	0.00	1039.19	1035.93	1157.93	1204.31	1205.50 / 6 / 90
13 Food Retailing (16) ..	2293.39	+0.9	1.92	3.28	13.28	0.00	2266.45	2259.53	2281.53	2347.48	2617.14 / 27 / 90
14 Health and Household (24) ..	2494.85	+0.7	11.77	5.65	10.19	0.00	1195.72	1204.21	1208.61	1682.42	1777.22 / 127 / 90
15 Media (25) ..	1215.65	+0.1	12.30	5.59	12.03	0.00	1210.20	1219.10	1228.80	1311.81	1318.88 / 1 / 90
16 Packaging & Paper (11) ..	516.89	+0.1	12.27	6.64	11.95	0.00	517.30	518.01	523.99	587.62	625.17 / 177 / 90
17 Stores (34) ..	780.94	+0.8	10.93	4.88	11.92	0.00	774.49	780.88	813.69	864.16	874.00 / 1 / 90
18 Textiles (11) ..	406.15	+0.5	14.29	6.65	8.97	0.00	404.10	407.47	412.77	551.80	588.39 / 249 / 90
19 OTHER INDUSTRIES (12) ..	997.70	+0.1	12.25	5.69	9.41	0.00	999.00	992.11	999.65	1228.82	1233.52 / 3 / 90
20 Business Services (12) ..	1007.07	+0.3	12.32	7.03	9.74	0.00	1006.50	1007.50	1008.31	1171.21	1181.07 / 1 / 90
21 Chemicals (22) ..	1036.70	+0.1	13.60	6.83	8.03	0.00	1024.13	1036.50	1056.87	1335.87	1406.57 / 247 / 90
22 Conglomerates (1) ..	1239.12	+0.3	13.94	4.22	9.77	0.00	1239.12	1240.22	1240.22	1240.22	1240.22 / 127 / 90
23 Transport (15) ..	1887.52	+0.7	13.74	5.39	8.99	0.00	1875.33	1892.54	1912.40	2425.00	2458.00 / 1 / 90
24 Electricity (12) ..	1000.79	+0.3	12.32	7.03	9.74	0.00	997.70	1001.17	999.45	1000.17	1012.72 / 3 / 90
25 Telephone Networks (3) ..	1143.55	+0.8	11.70	4.42	11.12	0.00	1114.19	1120.40	1141.07	1268.46	1270.72 / 3 / 90
26 Water (10) ..	1219.83	+0.4	14.29	4.37	7.00	0.00	2184.42	2185.91	2204.34	1983.00	2235.00 / 10 / 90
27 Miscellaneous (26) ..	1566.10	+0.8	12.18	5.83	9.55	0.00	1552.91	1564.12	1567.94	1977.00	1981.35 / 247 / 90
28 FINANCIAL GROUP (488) ..	1026.49	+0.5	11.96	5.32	10.24	0.00	1021.52	1025.96	1033.02	1208.82	1244.94 / 3 / 90
29 Oil & Gas (20) ..	2289.62	+0.9	9.95	5.67	13.13	0.00	2271.99	2293.09	2296.62	2437.71	2528.70 / 3 / 90
30 FT-SE 100 SHARE INDEX (1) ..	1127.40	+0.3	11.66	5.37	10.80	0.00	1124.39	1131.20	1137.51	1331.88	1348.53 / 2 / 90
31 FT-SE 100 SHARE INDEX (500) ..	1127.40	+0.8	1.92	4.11	11.01	0.00	986.61	994.64	1002.09	1318.00	1323.81 / 4 / 90
32 FT-SE 100 SHARE INDEX (900) ..	1127.41	+0.3	-	5.53	10.00	0.00	1019.78	1025.13	1032.20	1209.77	1226.83 / 3 / 90
33 FT-SE 100 SHARE INDEX (1000) ..	1127.41	+0.1	-	-	-	0.00	-	-	-	-	1127.41 / 1 / 90
34 FT-SE 100 SHARE INDEX (1000) ..	2126.11	+0.8	2131.01	2120.91	2117.81	2128.31	2143.51	2160.41	2167.81	2444.5	2463.73 / 3 / 90
35 FT-SE 100 SHARE INDEX (1000) ..	2126.11	+0.8	2131.01	2120.91	2117.81	2128.31	2143.51	2160.41	2167.81	2444.5	2463.73 / 3 / 90

THE DERIVATIVE markets made a small amount of headway yesterday as some institutions continued to use stock futures to gain exposure to UK equities.

The decline earlier in the week in equities convinced some institutions that the UK market may have reached a floor. However, with many fund managers not back at their desks until Monday the number of institutions using the derivative markets was not as high.

Another factor was the approach of the United Nations' deadline for Iraq to withdraw from Kuwait. Many dealers remain convinced that war would lead to a fall in UK shares, but the fall in

oil prices has lent support to the view that any immediate decline would be quickly reversed.

In any case, sterling's strength was encouraging some institutions that the next cut in interest rates may not be far off. This view was held by some pension funds, which were buyers of equities and futures.

The March FT-SE 100 Index contract traded at strong premium to the cash market - as much as 50 points at one stage.

But arbitragers did not take advantage of this large discrepancy between the two markets. Many market makers were short and that meant there was little stock to offer for any arbitragers.

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Marine eventually closed at 2244, up 5 points on the day and at a 40-point premium to the cash market. According to brokers' calculations, March should be trading at a 35-point premium.

In traded options, solid two-way trading in the FT-SE Index options boosted turnover. The March 2,100 calls were particularly popular.

Total option market turnover stood at 24,493 contracts compared with 22,215 in the previous session. Among the stock options, RTZ was again a feature following the reduction by securities houses in their profit estimates.

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INTERNATIONAL COMPANIES AND FINANCE

Credit losses may reach Nkr3.8bn at DnB

By Karen Fossli in Oslo

DEN NORSKE BANK (DnB), Norway's biggest bank, yesterday forecast a net loss in 1990 and said that provisions for identified and estimated credit losses may reach Nkr3.800m (\$651m), or Nkr600m above the comparable figure for 1989.

DnB is the latest casualty in Norway's troubled banking sector to be hit hard by rising credit losses. A few days before Christmas, Christiania, Norway's second biggest bank, forecast record losses in 1990 of Nkr2.68bn.

Separately, Fokus Bank, the country's third biggest bank, forecast net losses of Nkr600m in 1990 due to a Nkr80m loss on loans and guarantees. Fokus was forced to seek a three-year conditional guarantee of Nkr1.5bn from the commercial banks' Guarantee Fund and to write down its share capital by 50 per cent.

Norway's banks have been in a downward spiral for the last four years due to a deterioration in the country's oil-dependent economy which started in 1986 when world crude oil prices plunged to below dollars 10 a barrel. This sent consumer demand into a precipitous decline from an 8

per cent growth rate in volume in 1986 to a negative growth rate of 3 per cent by 1989.

Mr Egill Gade Greve, DnB's president, said that a deterioration in two major commercial loans in the last two months of

SVENSKA Handelsbanken, one of Sweden's leading commercial banks, wants to acquire the small Stavanger bank in Norway for Nkr120m, writes Robert Taylor in Stockholm. The board of Stavanger bank and shareholders accounting for around 55 per cent of the equity are recommending the purchase, which has to be approved by the Norwegian authorities.

Shareholders are being offered Nkr120 share compared with a market valuation of Nkr80.

1990 added significantly to credit losses in Norway and abroad. A decline in the value of collateral for loans — a big drop in domestic property values — has exacerbated the weakness caused by huge credit losses, he said.

In the first eight months of 1990, DnB suffered a net loss of

Nkr354m compared with a net profit of Nkr19m a year earlier.

DnB was formed a year ago out of a merger between Bergen Bank and Den norske Creditbank (DnC). The two banks suffered combined credit losses of Nkr3.23bn in 1989 and Nkr2.99bn in 1988. DnB reduced staff by nearly 1,000 last year and plans a further 300 job losses this year.

Mr Gade Greve said DnB intends to file an application for up to Nkr1.5bn in funds from the Guarantee Fund, which would qualify as preferential share capital.

Meanwhile, Mr Sverre Rosstoft, president of Christiania, said that bank intends to reduce staff by 12 per cent in 1990 — this year and will close 13 branch offices and two regional branches. These measures are intended to reduce operating costs by Nkr400m annually.

The bank also intends to seek between Nkr500m and Nkr1bn in preference share capital from the Guarantee Fund to help it meet the Bank of International Settlements' capital adequacy requirements by 1992.

It maintained that the loss stemmned from two factors: fourth-quarter charge-offs totalling about \$275m and resultant provisions for credit losses, plus a continuing deficit on the operating front. The latter is blamed partly on the high carrying costs associated with non-performing assets.

The bank added that it will not know the precise size of

the fourth-quarter loss until it determines the scale of the provision for possible credit losses.

However, it did say that it expects an increase of around \$500m in the level of non-performing assets for the final three months.

At the end of the third quarter, non-performing assets stood at \$2.5bn. This figure had almost tripled over the past year.

Part of Bank of New England's problems stem from its exposure to the shaky east coast economy and the troubled property market.

The company's chairman, Mr

Lawrence Fish, acknowledged yesterday that "clearly, the significant deterioration in the New England real estate markets and in the company's loan portfolio is having a substantial adverse effect upon our recovery efforts."

However, he said that the bank was still talking to federal regulators and investors who hold its debt securities about the possibility of recapitalising the company. He also claimed that monthly operating costs had been cut by \$17m since the beginning of 1990.

Bank of New England shares were down 5% to 8% before the close in New York yesterday.

Banesto stake bid fails

BNE expects big fall into red

By Nikki Tait in New York

BANK OF New England, the 35th largest bank holding company in the US which has been beset by severe financial problems, said yesterday that it expected to post a loss of up to \$450m in the fourth quarter of 1990.

It maintained that the loss stemmed from two factors: fourth-quarter charge-offs totalling about \$275m and resultant provisions for credit losses, plus a continuing deficit on the operating front. The latter is blamed partly on the high carrying costs associated with non-performing assets.

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Banco Del Gottardo earnings down 10%

Banesto stake bid fails

BANESTO, the Spanish banking and industrial group, has failed in an attempt to double its holding in Carburos Metalicos, the big ferro-alloy and industrial gas producer, writes Tom Burns in Madrid.

Banesto had acquired only an additional 3.9 per cent of Carburos stock when the offer closed yesterday instead of the 25 per cent it aimed for when it launched its Pta4.8bn (\$157m) bid at the beginning of November. Banesto is calculated to have paid out some Pta2.5bn for the new shares.

Some 30 per cent of the gas

group is traded on the Madrid stock market.

Carburos' share price had stood at Pta8.300 at the beginning of last year and it had dropped to Pta3.905 when Banesto announced its Pta4.8m-a-share bid and forced the suspension of trading in the company two months ago.

The bid brings Banesto's equity in the company to close on 30 per cent. A further 7.5 per cent of Carburos stock is owned by Heathmoore, an offshore investment company which is believed to be closely linked to the bank.

BANCA DEL Gottardo, the medium-sized Swiss bank in which Sumitomo Bank of Japan holds 53 per cent of the voting stock, yesterday posted a 10 per cent fall in consolidated net earnings to SF751m (\$94.3m) in 1990, from SF757m a year earlier, writes William Dulliforce in Geneva. It plans to pay an unchanged dividend of SF20 per share and participation certificate.

The Lugano-based bank said the results were "more than satisfactory" for a year marked by radical change at both international and domestic levels.

It maintained that the loss stemmned from two factors: fourth-quarter charge-offs totalling about \$275m and resultant provisions for credit losses, plus a continuing deficit on the operating front. The latter is blamed partly on the high carrying costs associated with non-performing assets.

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LONDON STOCK EXCHANGE: Dealings

Details of business done shown below have been taken with consent from last Thursday's Stock Exchange Official List and should not be reproduced without permission.

Details relate to those securities not included in the FT Share Information Service.

Unless otherwise indicated prices are in pence. The prices are those at which the business was done in the 24 hours up to 5 pm on Thursday and settled through the Stock Exchange TaliSystem system. They are not in order of execution but in ascending order which denotes the day's highest and lowest deals.

For those issues in which no business was recorded in Thursday's Official List the latest recorded business in the three previous days is given with the relevant date.

Rule 53(2) and Third Market stocks are not regulated by the International Stock Exchange of the United Kingdom and the Republic of Ireland Ltd.

* Bargains at special prices. # Bargains done the previous day.

British Funds, etc

No. of bargains included 1825

Treasury 10% Lst 2003 A - 35% %

Guaranteed Export Receipts 10% Lst

10% Lst 2003 A - 30% (2/28/91)

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GUERNSEY (REGULATED)																	
MANAGEMENT SERVICES																	
CANADA (SIB RECOGNISED)																	
GUERNSEY (SIB RECOGNISED)																	
OFFSHORE INSURANCES																	
Royal Heritage Life Assurance Ltd																	
Scottish Provident Institution																	
Sun Life of Canada (UNO) Ltd																	
Scotiabank Financial Services																	
AETNA Int'l Assurance (Bermuda) Ltd																	
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AMERICA

Hopes of peace help Dow make modest advance

Wall Street

RENEWED hopes of a peaceful resolution to the Gulf crisis helped US equities move modestly higher yesterday morning, writes Karen Zagor in New York.

At 2 pm, the Dow Jones Industrial Average was up 9.66 at 2,583.17 with advancing issues leading declines by seven to six. On Thursday, the Dow closed down 37.13 at 2,573.51.

Equities turned higher on the news that Mr James Baker, US secretary of state, would meet with Mr Tariq Aziz, the Iraqi foreign minister, in Geneva on January 9.

The news that non-farm payrolls had fallen only 76,000 in December, far less than the 150,000 that many economists had expected, also helped the stock market.

The unemployment report, which had been expected to show continued sharp deterioration of the labour market, had a dampening effect on the bond market. At midday, the treasury's benchmark 30-year bond was 1/16 lower to yield 8.16 per cent, its first loss of the new year. The bond market had hoped that signs of further economic decline would force the Federal Reserve to ease monetary policy.

In the stock market, Tenneco fell 3/4% to \$44.44 after Kidder, Peabody cut its investment rating on the stock and lowered its earnings estimate.

General Dynamics gained 5/8% to \$25.50 and McDonnell Douglas rose 3/4% to \$33 after the US Navy said that it would ask Mr Dick Cheney, the defence secretary, to save the A-12 stealth bomber programme.

A number of pharmaceutical issues moved lower after the state of Florida charged them with violating state and federal antitrust laws. The state has charged Bristol-Myers Squibb, American Home Products and Abbott Laboratories with fixing prices of infant formula. Bristol-Myers dropped 1/4% to \$63 in heavy trading, American Home Products lost 1/2% to \$49

and Abbott slid 5/16 to \$40.

Schering-Plough, however, gained 3/16 to \$42.42 after the company said it had taken a major significant towards developing human monoclonal antibodies.

Bargain-hunting helped a number of bank issues, including Citicorp, up 5/16 at \$13. Chemical Bank, \$1.50 higher at \$8.34, and Chase Manhattan, which rose 3/16 to \$11.16.

CPC International dropped 2/16 to \$77 after an analyst at Dean Witter Reynolds cut his investment rating on the company because of weakness in the food processor's Latin American operations, particularly in Brazil.

Intel added 3/16 to \$89.48 after a First Boston semiconductor analyst reiterated a "buy" rating on the issue.

Trading in secondary issues was disrupted in the morning by problems with American Telephone and Telegraph's long-distance service in Manhattan and New Jersey. About 15 per cent of Nasdaq terminals were affected. Trading was also halted on the Comex and Nymex exchanges.

Canada

THE NEWS that Iraq had agreed to send its foreign minister to Switzerland to meet his US counterpart lifted Toronto stocks from their opening losses, but they were unable to hold on to their gains by mid-day.

The composite index lost 4.9 to 3,216.88 after reaching 3,230.48 soon after the news. Declines led advances by 190 to 190 on volume of 10.3m shares.

GW Utilities fell 6/8 to C\$8.75 on volume of only 516 shares after paying a dividend of C\$1.00.

SOUTH AFRICA

GOLD shares in Johannesburg closed higher after the bullion price rose to about \$388. The all-share index was 20 higher at 1,055 while the overall index fell 9 to 2,710. Vaal Reefs jumped R3 to R413 and Western Deep rose R1.50 to R105.

EUROPE

Bourses rise in thin and cautious trading

BOURSES MOVED higher on Gulf hopes yesterday, but the rises came mostly in cautious trading and light turnover, writes Our Markets Staff.

FRANKFURT regained some ground in its technical correction following a 10 per cent drop since mid-December.

Among the more active stocks, Eurotunnel gained FF17.50 or 5.1 per cent to FF73.00 on 15m shares, while Lafarge Copepe rose FF1.20 to FF16.50 on 18.120 shares.

Total dropped FF22.22 or 3.5 per cent to FF670 after saying that it had bought a distribution business from Petroline of Belgium for between FF300m and FF400m. EIR shed FF6.20 to FF27.30, a leading broker downgraded its profit forecast for the company after cutting its oil price forecast, but said that EIR shares remained a hedge against the Gulf crisis.

Societe Centrale d'Investissement fell back FF15.50 to FF32.60 in thin trading, after another temporary suspension.

MILAN moved higher. The Comit index rose 7.25 to 521.34 in small volume of 1,500m.

Mutual fund data for December, released late on Thursday, showed net inflows slowing to £1.49bn from £2.68bn in November, but the Gulf crisis could produce a rally in the next six

weeks to three months.

PARIS built upon Thursday's gains, with the CAC 40 adding 8.16 to 1,547.66, a rise on the week of 2 per cent. Turnover remained thin after the previous day's FFr12.20.

General made further gains, rising FF570 to FF2,370, although dealers failed to find specific reasons for the rise. Ferruzzi Finanziaria rose FF6 to FF12.68. The company has bought a shareholding of about 15 per cent in Societe Centrale d'Investissement, the French financial holding company controlled by the family of Mr Jean-Marc Verne, who heads Ferruzzi's French sugar and paper subsidiary, Beghin-Say.

AMSTERDAM firmed in thin trade, the CBS Tendency index rising 0.5 to 80.0. DSM gained FFr1.20 to FFr1.60 after the company's chairman said he did not rule out a merger between DSM and another chemical company. Analysts said Akzo was the most obvious partner.

DAF, the truck maker, eased 10 cents to FFr1.80 after saying that 1990 net losses before charges would be FFr1.60m after 1989's profit of FFr1.72m.

KLM, the national airline, rose FFr1 or 5 per cent to FFr21 following the breakdown of talks with Sabena, the Belgian

US pension funds extend their overseas investments

Antonia Sharpe explains that the need to reduce risk is tempting the Americans to look abroad

US PENSION funds are increasing their overseas investment in an attempt to offset slowing returns, and to reduce volatility within their domestically oriented portfolios.

Known as Erisa funds, after the 1974 Employee Retirement Income Security Act which established minimum reporting standards for the industry, very few of them ventured abroad until about 10 years ago. The size of the US economy and the domestic investment spectrum were seen as more than catering to their needs.

To the more cautious fund managers, the risk of putting money into a foreign market eclipsed the potential rewards: accounting disclosure requirements and minority shareholder protection were regarded as inadequate.

However, the dollar's volatility in the mid-1980s, and growing support for international diversification as a means of reducing risk have encouraged Erisa funds to allocate more assets to overseas markets.

Mr Gunter Ecklebe at Frank Russell Company, the Tacoma, Washington-based consultancy, says that in the early stages of international investment, managers concentrated on maximising return since most markets around the world were in

or about to enter a bull phase. The buzzword now is risk reduction," Mr Ecklebe says. "Incremental returns are still important but a higher priority is given to the reduction of volatility within a portfolio."

Mr Rodger Smith, partner at Greenwich Associates in Greenwich, Connecticut, says that the decline in foreign markets has not dampened the pursuit of global investment. "The gap between expected returns from foreign and US markets has widened. Many funds consider that now is the right time to increase their commitment to foreign markets following their correction this year," Mr Smith says.

Data from InterSec Research Corp, the consultants based in Stamford, Connecticut, show that Erisa funds' overseas investment had jumped from \$15bn at the end of 1982 to \$38bn by June last year. But this accounts for only about 4 per cent of all US pension fund assets, well behind the figure of almost 23 per cent of UK pension funds in overseas markets, 10 per cent in the case of Canada, 8.4 per cent in Japan and 4.5 per cent in western Germany.

However, InterSec forecasts that the international proportion of Erisa fund assets will rise to at least 5.8 per cent or \$177bn by 1994. Greenwich

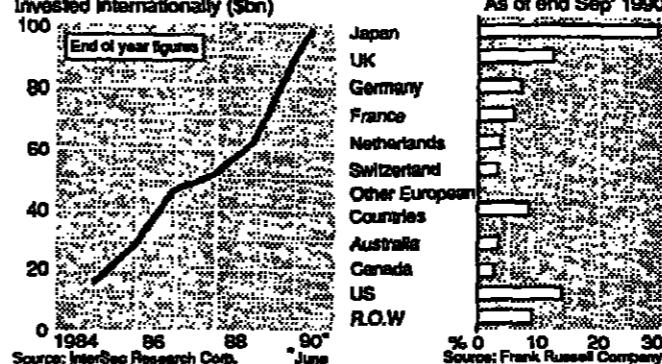
Associates is more optimistic, predicting that it will be 7 to 8 per cent of total Erisa assets will be allocated abroad by 1993.

Frank Russell, which tracks roughly 45 per cent of all assets invested outside the United States, estimates that by 1995 US and Japanese pension funds will be the largest players in the international markets with about \$250bn each in non-domestic assets, followed by the UK with \$200bn, out of a total of \$888bn.

Prospects of faster economic growth in Europe, the creation of a single market within the European Community by 1992 and the unification of Germany have made the continent a popular avenue for investment.

InterSec estimates that slightly more than \$3bn of total Erisa overseas assets, estimated at \$185bn in late 1990, is invested in Europe, although it expects this figure to grow rapidly to around \$10bn by 1994. However, it notes that

US tax-exempt funds International allocation



Source: InterSec Research Corp.

As of end Sep 1990

Source: Frank Russell Company

Europe is overweighted in the portfolios of more committed managers, indicating a 37 per cent ratio for these portfolios against the 26 to 28 per cent that Europe contributes to the market capitalisation of leading world indices.

Around 42 per cent of the assets monitored by Frank Russell were invested in Europe (UK with 12.8 per cent of the total, Germany with 7.3 per cent and France with 6.2 per cent) at the end of September, against 29.5 per cent in Japan.

Political uncertainty in the Soviet Union and eastern Germany in particular might have started already, says Mr David Strongin, director of international finance at the Securities Industry Association in New York. Net equity inflows into western Germany slowed to DM2.5bn in the first half of 1990, one tenth of 1989's DM20.5bn.

On the other hand, emerging markets such as Mexico have received large amounts of US capital. Efforts by the Salinas government to revive the troubled Mexican economy, and hopes of an early trade agreement between the two countries, pushed US net investments in Mexican equities to a record \$300m in the second quarter of 1990, after net acquisitions of only \$80m in the first quarter.

distress in the Japanese property market, and reduce continental Europe to 23.1 per cent from 37.7 per cent.

Given that the Middle East and real estate problems are settled, the [Japanese] market will rebound strongly to reflect the slowing economy and continued moves to lower short and long-term interest rates," Salomon says in its 1991 outlook.

There is evidence that the diversion of assets away from continental Europe - and western Germany in particular - might be started already, says Mr David Strongin, director of international finance at the Securities Industry Association in New York. Net equity inflows into western Germany slowed to DM2.5bn in the first half of 1990, one tenth of 1989's DM20.5bn.

The majority of Erisa funds portfolios, however, the equity portion had dropped from 90 per cent at the end of 1984 to 78 per cent by June 1990 and the balance should tip a bit further in favour of bonds, some analysts say.

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ASIA PACIFIC

Nikkei starts year on positive note as yen and bonds strengthen

Tokyo

SHARE PRICES started the year on a positive note. A stronger yen and soaring bond prices triggered by expectations of a peaceful resolution of the Gulf crisis contributed to the optimism, writes Emiko Terazono in Tokyo.

In the half-day session, the Nikkei average closed at 1,740.92. Losses outnumbered gains by 469 to 388, with 181 issues unchanged. In London, the ISE/Nikkei 50 index slipped 2.62 to 1,355.37.

Trading in Tokyo concentrated on large-capital stocks, while smaller issues lost ground.

The Topix index of all second-section stocks fell 8.13 to 1,740.92.

The sharp drop in bond yields, encouraged by Washington's latest proposal to hold talks with Iraq in Geneva next week, triggered buy orders of interest rate-sensitive, large-capital issues. Nippon Steel gained Yen 11 to Yen 45 and Tokyu Electric Power added Yen 15 to Yen 30. NTT closed up Yen 19,000 to Yen 39,000 after briefly recovering to a high level.

Trading houses gained on expectations of new business opportunities with the Soviet Union. Citzoh rose Yen 53 to Yen 97 on news that the trading house will start a feasibility study into the exploration of crude oil in the Soviet Union with Exxon of the US. Marubeni gained Yen 11 to Yen 51 and Mitsui & Co added Yen 24 to Yen 92.

Building contractors were strong, with Kajima Corp up Yen 11 to Yen 630 and Obayashi Corp gaining Yen 49 to Yen 1,170.

The government's plan to spend Yen 300,000m on public works over the next decade is expected to boost the sector.

Exporters were weak as the yen strengthened. Seaga Enterprises, the game maker, lost Yen 10 to Yen 400. The issue was the biggest gainer last year, rising 10 per cent.

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BUILDING, TIMBER, ROADS

Contd

ELECTRICALS - Contd

ENGINEERING - Contd

INDUSTRIALS (Miscel.) - Contd

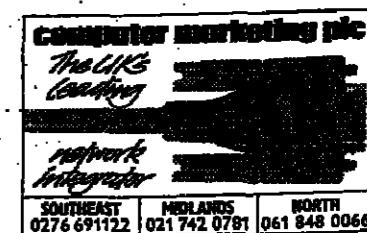
INDUSTRIALS (Miscel.) - Contd

1990/91	High	Low	Stock	Price	Div	Dr	Cv	P/E	1990/91	High	Low	Stock	Price	Div	Dr	Cv	P/E	1990/91	High	Low	Stock	Price	Div	Dr	Cv	P/E	1990/91	High	Low	Stock	Price	Div	Dr	Cv	P/E
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FINANCIAL TIMES

Weekend January 5/January 6 1991



Treasury draws up proposals to gain EC support for its European currency plan

UK may offer deal over hard Ecu

By Peter Marsh in London and David Buchan in Luxembourg

THE UK may drop its proposal for a new institution to manage its hard Ecu in exchange for support from the rest of Europe on the scheme to introduce the currency over the next few years.

These indications of more flexible thinking by the UK on European economic and monetary union (Emu) are likely to be welcomed by a number of other European countries, although they will do little to reduce German opposition to the hard Ecu proposal.

The new currency would be a financial unit to be used by European business in conjunction with existing currencies.

The possibility that the UK may abandon its insistence on a European Monetary Fund (EMF) to manage the hard Ecu comes as the UK Treasury prepares to issue on Tuesday new

proposals on the hard Ecu which will provide a legal framework for the currency.

These proposals will be presented the following week to senior European officials, who are meeting under the auspices of the inter-governmental conference on Emu which started in Rome last month.

Under the UK plans, the hard Ecu would carry a government guarantee that it could never be devalued.

It would give business and commerce experience in a common financial unit that would reduce cross-border transaction costs.

The UK's proposals on Tuesday will centre on the legal requirements for setting up an EMF to administer the currency.

The UK would like to see this introduced after 1994, dur-

ing the second stage of Emu.

However, it is prepared to listen to proposals from other countries which would involve different institutional arrangements for managing the currency.

Under one idea, the hard Ecu could be administered by the planned European System of Central Banks (ESCB) - a new central bank for the whole of Europe plus existing national central banks - which a number of countries would like to see established in 1994.

Such a scheme would obviate the need to set up a new institution separate from the ESCB.

Some countries have seen Britain's EMF proposal as confusing the Emu debate.

The UK insists, however, that handing over stewardship of the hard Ecu to the ESCB

would occur only if the rest of Europe agreed to the basic idea behind the currency.

The hard Ecu could eventually evolve into a new, parallel currency for Europe, displacing other suggestions that the existing basket Ecu - a notional financial unit based on the main European currencies - would ultimately do this job.

Officials in the Luxembourg government, which this week took over the European Community presidency, will be in charge of the meetings on Emu during the first half of this year. They welcome the signs of flexibility from Mr John Major, the UK prime minister, and Mr Norman Lamont, his chancellor.

"We don't want to rush a country which needs time to evolve its position", one Luxembourg official said.

However, the German finance ministry, together with the Dutch government, is not keen on setting up even an embryo form of the ESCB until agreement has been reached on a new, parallel currency which it could manage.

Germany in particular has opposed the hard Ecu, which it believes is unnecessary and might lead to inflation.

Instead of a solution to the next stage of Emu based on the ESCB, the German and Dutch finance ministries would like to see in 1994 the creation of a Council of Central Bank Governors.

That would be a heavily diluted version of the ESCB and would be based on a more powerful version of the existing committee that meets in Basle, Switzerland.

Nissan UK to start legal action against Japanese car maker

By Kevin Done, Motor Industry Correspondent

NISSAN UK, the privately-owned distributor of Nissan vehicles in Britain, is to start legal proceedings against Japan's second largest car maker as the latest move in their long-running conflict.

Nissan Motor announced last week that it had given NUK notice to terminate its concession as the sole importer and distributor of Nissan vehicles in the UK with effect from the end of 1991.

NUK said yesterday it had concluded that it had "no alternative but to commence proceedings against Nissan Japan".

The dramatic confrontation between the world's fifth-largest car maker and its independent importer/distributor in the UK - Nissan's biggest market worldwide after Japan and the US - follows several years of deepening conflict in which the two companies have failed repeatedly to agree terms for the earlier planned takeover of NUK by Nissan.

NUK said that its conduct had been "entirely consistent" with the terms of its 1971 franchise agreement with Nissan, and that there were "no grounds on which Nissan Japan can validly terminate the Distribution Agreement".

In a letter sent yesterday to Nissan Motor in Tokyo, Herbert Smith, NUK's legal adviser, said that the "purported notice is both invalid and of no effect".

Nissan Motor said yesterday that it was "wholly confident" that its termination notice was valid and that NUK's performance had not been consistent with the 1971 agreement.

It is expected to be some weeks before NUK decides what proceedings to take against the car maker, and Herbert Smith said that Nis-

san's letter of termination was still under consideration.

NUK said that the proceedings against Nissan Motor would take account of the £250m investment it had made "at Nissan Japan's request" and the substantial market share and sales it had built up since 1971.

Mr Octav Botnar, NUK chairman and managing director, said that "Nissan Japan's policies over the past few years, including its failure to respond to opportunities to buy the company at a fair price, and the service of its invalid notice are an attempt to obtain the benefit of our efforts at no cost".

NUK, which made pre-tax profits of £55m on a turnover of £380m in the financial year to the end of July 1990, according to still unaudited figures, has a workforce of about 270, mainly at its Worthing headquarters.

The company is controlled by Mr Botnar, its 77-year-old chairman and managing director, a German entrepreneur whose conflict with Nissan has become increasingly public in the last 12 months as the two companies have conducted an open war over Nissan's pricing policy in the UK.

The dispute between Nissan Motor and NUK has sent shockwaves through the 380 British Nissan dealers, which are co-ordinated by NUK, in its role as importer/distributor. The network includes Mr Botnar, which account for more than 50 per cent of the Nissan cars sold in the UK.

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Pause for applause: Tokyo Stock Exchange share dealers and employees, some wearing kimonos, clap hands yesterday to open the first day of trading for the new year

Double glazing group goes into receivership

By Clay Harris, Consumer Industries Editor

STORMSEAL, Britain's third largest double glazing group, collapsed yesterday, putting at risk up to 3,000 jobs. Some customers may lose their deposits.

Receivers from accountants

Grant Thornton were appointed to Stormseal's holding company and eight trading subsidiaries after emergency talks on Thursday with Svenska Handelsbanken, its main creditor, failed to solve the group's cash-flow crisis.

Mr Allan Griffiths, one of Stormseal's receivers, said he could give no indication of the size of its debts.

With annual turnover of £100m, Stormseal ranks behind only Everest, a subsidiary of MS-Cavendish, and Andalan, a recent management buy-out from BBT, in the UK double glazing market.

It was the latest company to fall since high interest rates reduced demand for home improvements. Two others in the top 10 in the double glazing market, Weatherseal and Therm-a-Stor, collapsed in 1990. Smaller concerns have met similar fates.

UK double glazing sales are estimated to have fallen by 5 per cent last year after a 10 per cent decline in 1989. This compares with growth of 15 per cent and 13 per cent, respectively, in the previous two years.

Like some other companies, Stormseal had been discount-

M&G plea for dividend maintenance

By David Owen

M&G GROUP, the UK's largest unit trust fund manager, has urged recession-hit companies wherever possible to maintain their dividends.

The move is made in a private letter sent to nearly 300 chairman of companies in which M&G has a "significant" investment.

Mr Paddy Linaker, chairman of M&G Investment Management, said: "We think there are companies who may feel they can happily cut their distribution. We are making the point that dividends do matter to us."

The move comes as companies in a range of sectors are re-examining their dividend policies in the light of deteriorating economic conditions.

Last month, General Electric Capital (GEC) and Trafigura

House both FTSE 100 stocks decided against increasing their interim and final dividends for the first time in several years.

Brentt Developments, Next, Burton Group and Novartis are among those to have already cut dividend payments.

Mr Linaker said that the views expressed in the letter were similar to, but broader, than those contained in a letter published in the Financial Times on December 12. In that letter, Mr Linaker described dividends as "the core of the relationship between management and owners".

"We expect the managers of these companies to seek our help where appropriate in times of difficulty. We do not think that cutting dividends is the solution to cyclical trading difficulties," he wrote.

Mr Linaker emphasised that it was customary for M&G to send out a letter "making a few points" along with its annual report and accounts.

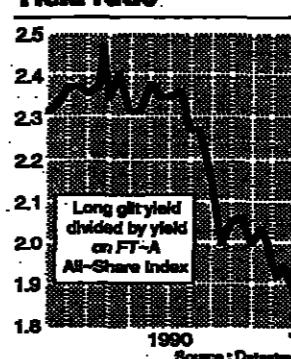
"It is a private letter and we do not relish the fact that it has been made public," he said.

The divisive debate, Weekend section, Page 1

The message of the oil price

FT-SE Index 2,126.1 (+8.3)

Yield ratio



Source: Datastream

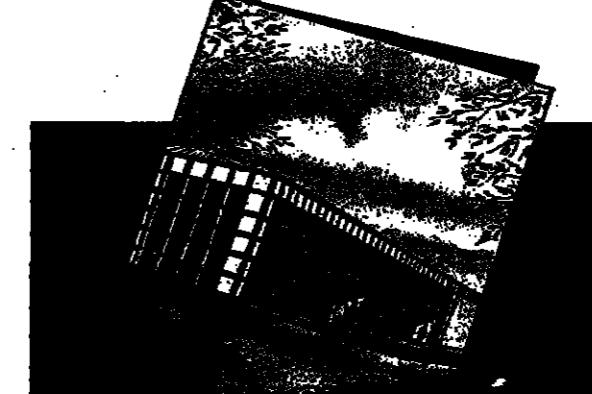
tions saw the removal of the tax drawbacks, while the ground was prepared for the arrival of the managed derivatives funds so popular with US retail investors. When Liffe finally merges with the traded options market in April, London should find itself considerably ahead as Europe's leading derivatives trading centre. This will not please everyone. In December, there were dark rumours from the UK government and the Bank of England when speculators tried to precipitate a cut in interest rates by rushing £20bn into short sterling contracts. Respectability, after all, usually follows maturity.

Public relations

It may be illusory to say so, but some types of company would fare considerably better by never going near the stock market. The agency business appears to consist of little else. Admittedly Shandwick, the world's biggest public relations company and the latest agency to see its share price collapse, was never quite as bold a financial engineer as BZW, correspondingly less troubled. Shandwick was negative net worth £25m of contingent liabilities, but its public relations business seems a reasonably reliable cash-generator, with the market looking for at least £20m of taxable profits this year. Nonetheless, the weakness of Shandwick's share price, which has fallen by two thirds in the last 12 months, cannot be brushed aside.

The proximate cause of the most recent fall was the chairman's clumsy sale of 1.6m shares. His personal tax position is his problem: the relevant fact is that Mr Gummer has appeared in the FTSE 100 at 51p, or only 2.8 times last year's earnings. Not a move to endear him to Shandwick's peculiarly wide-awake shareholder base, featuring Mercury Asset Management, Standard Life and Fidelity. But Mr Gummer's difficulties cannot take all the blame for the share price's woes. Being a people business with no asset backing is another big problem. If, like Shandwick, 70 per cent of your turnover comes from the recessionary US and UK, investors are bound to be even more jumpy. And in public relations, where barriers to entry are non-existent, the chances are slim of being able to deliver in the long term the smooth, reliable public returns required by most public shareholders.

The County of Clwyd...



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More Output from an adaptable, skilled workforce that is in tune with modern working practice and employers' needs.

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CHIEF PRICE CHANGES YESTERDAY	
FRANKFURT (Dm)	PARIS (FFPs)
Rises	Chargers
Deckel 148 + 11	274.5 + 15
Herzlitz 334 + 10	Ecco 496.5 + 9.5
Volkswagen 338 + 10	L'Oréal 496.5 + 10.5
Falls	Fellini
Porsche 692 - 23	Cogif 365
Rosenthal 340 - 10	Coparis 580
Springer Axel 710 - 26	Total-Pet 601
NEW YORK (\$)	TOKYO (Yen)
Chase Man 11 1/2 + 4	Irish (C) 697 + 52
Citcorp 13 1/2 + 3 1/2	Japan Sec. 1400 + 120
Intel 39 1/2 + 3 1/2	Tokai Kanko 423 + 53
Faith 40 - 13	Tokon 1450 + 120
Am. Home Prod. 49 - 13	Hollis 1452 + 10
Bristol-Myers 83 - 13	Hardanger 185 - 10
Tenneco 441 2/2	

Weekend FT

Weekend January 5/January 6 1991

SECTION II

THE Gulf Crisis began with two surprises. The first was Saddam Hussein's. His was the ultimate in strategic surprise. He massed 100,000 troops on the Iraqi border, and virtually no-one thought they would be used, least of all the Kuwaitis.

The second surprise was made by George Bush - that he had created an unprecedented global coalition, including the Soviet Union, along with the sanctions that have shut off Iraqi and Kuwaiti oil exports. Surely Saddam never once considered that the rest of the world would line up against him as it has, nor that his fellow Ba'athist and bitter arch-rival, president Hafez al-Assad of Syria, could find common cause with the Americans in the anti-Saddam coalition. He misunderstood the extent of the changes in the Soviet Union that would propel the country that had been Iraq's mentor for 20 years to take sides against him. Now, instead of higher and rising oil prices, Iraq has had virtually no oil earnings for half a year. And, in spite of his evident expectation that the coalition will falter, Saddam faces the imminent prospect of the invasion of Kuwait, may have put the survival of Kuwait in some doubt.

Great international events rarely occur for one reason. That is certainly true of the current crisis. It is about the post-Cold War order, about aggression and sovereignty, the regional and perhaps global balance of power, and about how Saddam would use an expanded arsenal two years hence.

But it certainly is also about the "O-word" - oil. Not short-term prices at the pump, as some say, but about whether a single power will dominate the region that holds 65 per cent of the world reserves of the fuel that powers the global economy. Saddam did not take the risk of invading Kuwait because he wanted to establish a string of holiday hotels along the Kuwaiti coast. He went in for the money and power that would accrue from adding Kuwait's oil to his own - and the further power that would come from dominating the remaining neighbours.

The character and prospects for the Gulf crisis are, to a surprising degree, the making of these two men, George Bush and Saddam Hussein. And now, as High Noon - the January 15 deadline - draws near, the world waits for what may be the final face-off between them. There could hardly be more difference in character or experience and yet each man was shaped by oil. For both of them are from states locked in a struggle over oil. Who are these men? And who will prevail?

In January 1989, on the eve of his inauguration as president, George Bush declared: "I put it this way. They got a president of the US that came out of the oil and gas industry, that knows it and knows it well." He knew, in particular, the risk-taking deal-making world of the independent oil men. That had been the world in which he had spent his formative years as an adult.

He enlisted as Navy pilot at age 18, during the Second World War. Shot down by the Japanese, he emerged as a war hero. He compressed a four-year Yale education into two and a half. On graduating from Yale in 1948, he had passed up the obvious jobs on Wall Street for someone of his background (his father had been a partner in the venerable banking firm of Brown Brothers, Harriman, before becoming a Senator from Connecticut). Instead, he set off for Texas, for the oil town of Odessa, then Midland, starting at an oil services company painting pumping equipment, and then becoming an itinerant salesman selling drill bits at well sites.

But, as he later said, he "caught the



Saddam's big mistake

Daniel Yergin, author and consultant, says George Bush is tougher than Saddam thinks

fever" - a disease known in America since the 1860s as "oil on the brain" - and formed an independent oil company in partnership with other young men as eager to strike oil and get rich. It was a world of continual improvisation and non-stop deal-making. "Somebody had a rig, knew of a deal, and we were all looking for funds," one of Bush's partners said. The company was named Zapata, after a film about the Mexican revolution.

Bush quickly mastered the skills of the independent oil man, flying off to North Dakota to try to buy royalty interests from suspicious farmers; combing courthouse records to find out who owned the mineral rights adjacent to new discoveries; arranging for drilling crews as quickly and cheaply as possible; and, of course, making the pilgrimage to the US East Coast to round up money from investors.

Eventually, the partners amicably split Zapata in two, and Bush took the offshore oil services side of the business, making it one of the pioneers and leaders in the development of offshore drilling and production in the Gulf of Mexico and around the world. He did well. The Bush family was about the first in its Midland neighbourhood to put in a swimming pool. In building his company, Bush also demonstrated that, beneath the amiable and friendly exterior, was an iron will. He was highly competitive and played to win.

In the mid 1960s, Bush helped establish

the incentives for conservation and energy development in the US and elsewhere. But this contradiction remained latent and untroubling until the price collapse of 1986, which saw oil prices plummet from \$29 a barrel to under \$10. That price collapse also showed something of what Bush thought about oil.

In April 1986, he travelled to the Middle East at a time when Iran had the upper hand in the war with Iraq. The nervous Saudis and other states welcomed the Bush visit. Bush remembered how low prices had depressed the US oil industry in the 1950s, and he was convinced that the price collapse would devastate the US oil industry and so threaten US security. And he repeated that message all along his trip.

However, back home, columnists denounced him for cuddling up to Opec and the oil industry, and the White House itself disavowed him. The price collapse was welcomed by almost everyone in the Reagan administration because it would, in the words of one Reaganite, "help the world economy and hurt the Russians". Yet Bush's warnings have been borne out in the years since: US oil output plummeted by 2m barrels a day - more than either Venezuela or Kuwait was producing before the invasion.

Privately Bush told the Saudis that low prices would create strong pressure for a US oil tariff which would discriminate against imported oil, including that from Saudi Arabia. The Saudis took that as a deliberate warning, as they looked to the US for their own security. The message of the Bush trip was that they would have to be attentive to the energy security needs of the US. Four years later, in 1990, the Saudis had reason to be glad that they had been responsive.

Bush is also motivated by many concerns in this crisis, beginning with the character of the international order in the aftermath of Cold War. He keeps copies of Amnesty International's reports on Iraqi torture in his office. He is a politician who operates on a personal relationships, and the way in which Saddam misled King Hussein of Jordan and president Mubarak of Egypt - and they in turn misled Bush - makes him think that Saddam is a totally unreliable and very dangerous man, especially in relation to nuclear and chemical weapons.

But Bush's stance on the eve of the January 15 deadline has also been shaped by his oil background. He believes that oil is critical to the prosperity and security of the West. If Iraq keeps Kuwait, then, in Bush's view, Saddam will in due course, as

the sanctions wear off, be in a position to intimidate and dominate the other weak states in the region. And Saddam's invasion indicated the kind of rules he would play by, in 1990, four out of five of the major oil states of the Persian Gulf were friendly to the West. Were Iraq to keep Kuwait, only two out of five could be considered friendly.

Ironically Bush has had more trouble building broad domestic support than he has in creating an international agreement, and still faces some Congressional opposition. In an effort to rebut criticism at home he said on the steps of the Pentagon: "Our jobs, our way of life, our own freedom and the freedom of friendly countries around the world would all suffer if control of the world's great oil reserves fell into the hands of Saddam Hussein." Bush would not have committed 400,000 US troops and built an unprecedented international coalition - and, indeed put his own presidency at risk - if he did not believe those words.

On the other side of the battle line in Iraq, oil and Arab nationalism have been the dominant political forces; and it is out of that brew that the violent, conspiratorial world of Ba'athism and Saddam Hussein himself emerged. The Ba'athist - or "renaissance" - party, which was launched in Damascus in the early 1940s, came to hate the western oil companies operating in Iraq after the discovery of oil in 1927. The party was militantly pan-Arab, aiming to regain Arab "dignity" in a diverse collection of ethnic groups which Britain had split from the Turkish empire after the First World War, and placed under a constitutional government. The Ba'athists were fervent in their denunciations of the West and imperialism. They celebrated violence and absolutism in pursuit of their all embracing ideology and demands.

Saddam, whose father died just before his birth in 1937, was brought up by his uncle, Khairallah Talfah, a fervent nationalist from the Sunni Arab minority, who hated and despised European culture. For both uncle and nephew the lodestar event in Iraq was the pro-Nazi nationalist Rashid Ali coup of 1941, aimed among other things at driving British political and economic influence from the country. In the course of that coup, German aircraft attacked British forces in Iraq. When Iraqi troops threatened to fire on an aircraft evacuating British women and children, British soldiers attacked and the coup collapsed. Talfah was imprisoned for five years for his part in the coup. Afterwards he communicated his bitterness, resentment and hatred to his fatherless nephew.

Saddam was also shaped by the culture of Tikrit, which was remote from the national life of Iraq and orientated instead to the desert. At least, according to Iraqis from the much more cosmopolitan Baghdad, Tikrit's values of desert survival - suspicion, stealth, surprise and the use of force to achieve one's objectives - were the ones that Saddam absorbed.

It was during the tumult and enthusiasm that accompanied Egyptian president Gamal Abdel Nasser's victory at Suez in 1956 that Saddam was recruited into the Ba'ath party. The anti-imperialist rhetoric of the 1950s and Nasser's Voice of the Arabs remained with him ever after, and could be heard in his declarations both before and after the invasion of Kuwait. Shortly after joining the Ba'athist party, according to lore, he carried out his first assassination of a local political figure in Tikrit. In 1959, he was one of the assailants in the assassination attempt on Iraq's ruler, Abdul Karim Kassem.

■ Continued on Page VI

The divisive debate about dividends

DIVIDEND: THAT which is to be divided, according to my dictionary. The question for 1991, so far as listed company earnings are concerned, is whether the dividends should be paid out with any serious regard to the profits which are to be divided, or topped up in recognition of some sort of long-term payout strategy.

Already the panic buttons are being pressed by income-conscious investors, of which the M&G unit trust group is the most vocal. It would be quite wrong, according to M&G, for boards of directors to decide to cut dividends because of temporary cyclical trading difficulties.

Perhaps so, if there turns out to be a quick recovery. But is this prudent advice? It could be argued that this is a more sinister form of short-termism on the part of investment institutions than the willingness a year or two ago to accept juicy cash bids at short notice. Those decisions to sell out were arguably the logical result of applying a long-term valuation model. It is less easy to defend institutional pressure on companies to pay out dividends that are not being earned.

Many years of persistent inflation averaging about 10 per cent have brought British institutions to this dangerous position. The bond market, the normal source of regular income, has been killed almost stone dead: UK pension funds have only about 5 or 6 per cent of their assets in sterling bonds, and for unit trusts it is much less still. In less infla-

The Long View



Cash-rich institutions are urging industrial companies to keep their payouts high and rising. Pension funds have become dividend junkies

tion, however, is that the end of the dividend bonanza might undermine the whole basis of evaluating British occupational pension schemes, and to some extent too the "with prof-

its" funds of life offices which also depend on income valuation models.

Remember that occupational pension schemes have remained in substantial surplus even though the stock market peaked nearly 2½ years ago. This is because dividends on UK equities have remained so buoyant, having climbed by some 60 per cent since July 1987 and, for example,

28 per cent price inflation of 28 per cent and wage inflation of 35 per cent. Positive feedback has been in evidence: because pensions have been strong, pension contributions by companies have been cut back or eliminated altogether, profits have benefited and dividends have gone up even faster.

But what if dividends are cut? The consensus forecast for 1991 is that payouts will climb by 5 per cent or less. These forecasts by City analysts are, moreover, being eroded all the time as the full scale of the recession becomes apparent. At some point there is likely to be concern about the possibility of negative feedback: that sluggish dividends will undermine pension fund valuations, trigger higher contributions and erode profits just when they are under the greatest pressure from normal trading factors.

This year is bound to see concerted pressure from institutional investors on companies to keep the dividend flow up. If they are inhibited by the little matter of a shortage of cash, companies will be told that rights issues would be supported. But in a recession

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company boards have other pressing concerns: if they are sacking some of their workers and cutting the real pay of the remainder, can they really maintain the growth of dividends regardless? Moreover, the takeover threat which helped unloosen their purse strings in the first place has largely evaporated.

There are great puzzles in all this. Why are the investment institutions, which are brimful of cash, so eager to draw dividends out of the company sector, which is suffering its worst liquidity squeeze for at least 16 years? Have pension funds committed some 80 per cent of their assets to equities without understanding the nature of what they are investing in? It appears that they are trying to change the character of the dividend away from the concept of a risk-free participation in a variable surplus and towards the idea of protected bond income. But the risk cannot be wished away.

With good fortune the industrial recession will prove to be short-lived and profits will pick up later in 1991 and in 1992. The temporary dividend crisis could be weathered. But if the recession is more severe the whole basis of dividend levels will have to be reassessed, and some uncomfortable conclusions about pension fund solvency might be reached.

Pension funds have become almost immune to a stock market price crash, but are highly exposed to a dividend crash. Expect a lively debate about dividends in 1991.

GAMBLE OF A LIFETIME WIN £50,000

ENTER THE INVESTOR OF THE YEAR

1991 COMPETITION

The 1991 Investor of the Year competition starts in the *Observer* this Sunday, 6 January.

Over the past 13 years, prize winners have come from all walks of life, and from all age groups. So whether you are a housewife or a student; a company director or an antiques dealer, young or old, you too can have the chance to become 'Investor of the Year'.

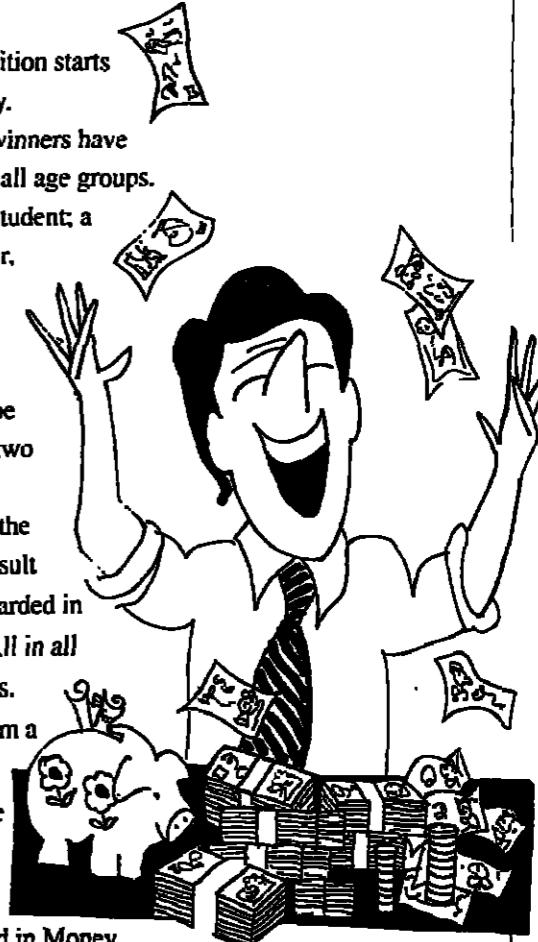
There is a total of £50,000 to be won. Starting in March, there will be two prizes of £500 for each month. The remaining £40,000 is shared between the six competitors who attain the best result covering 1991 overall, and will be awarded in 1992. The first prize being £20,000. All in all there are 26 chances to win cash prizes.

To enter you have to select from a list of 30 leading shares, the five you think will show the biggest percentage gain in their price. In other words, the best wealth creators.

Entry details are also published in *Money*

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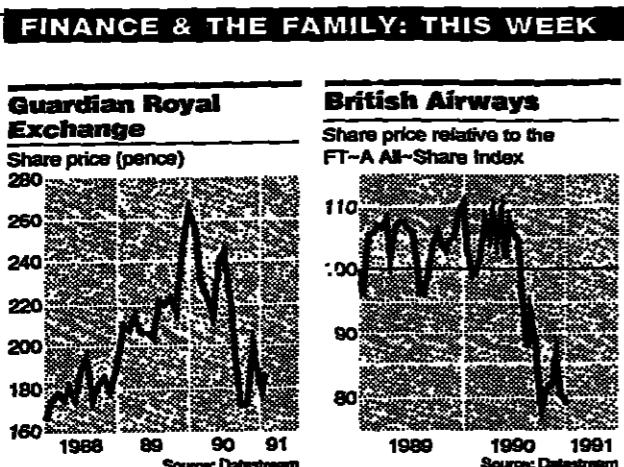


To find out more details, read the *Observer* tomorrow.

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Analysts' gloom deepens over GRE profit forecasts

Analysts revised downwards their already gloomy profits forecasts for one of the country's leading insurers, Guardian Royal Exchange, this week. Pre-tax losses of between £120m and £140m - up to £80m worse than previously expected - are on the cards when 1990 results are announced in a few weeks. The company made pre-tax profits of £148m in 1989.

The sale for a nominal sum of two loss-making Italian subsidiaries to GRE's joint venture partner in Italy, the Turin-based Istituto Bancario San Paolo, announced on Monday, prompted the review. GRE also revealed that it is making reserves against future claims from its motor, public and employers' liability business. *Richard Coggan*

BA shares suffer further blow

The Gulf crisis has been bad news for shares in British Airways. Higher oil prices have a direct impact on the airline's costs and the slowing economy restricts the group's ability to pass on the burden in higher fares. The group was forced to make a warning about second half profits in November. This week BA suffered a further blow when it was revealed that plans for a joint venture with KLM and Sabena had collapsed. *Philip Coggan*

Disquiet over pension investment returns

Employees and pensioners in company pension schemes may feel disquiet at this week's news that after a decade of excellent investment returns, UK pension funds last year recorded a negative return of around 11 per cent. However, if the scheme has salary-based benefits then there is no immediate worry since the benefit payments are independent of the investment performance. The employer carries the investment risk. But long-term considerations do leave some cause for concern. If these poor results continue over the next few years, the current surpluses will shrink and possibly disappear, thereby affecting the ability to provide pension increases. And more employers may be attracted to join the growing band of companies switching from salary-based to money purchase schemes, where the employee immediately suffers if investment returns are poor. *Eric Short*

Unit trusts feel the pinch

Unit trusts had a very bad year in 1990, with the average trust falling by 25 per cent on an offer-to-bid basis, according to Micropal. The top 25 trusts over one year were all gilt, cash or money market funds, with the bottom performers nearly all based in the Far East. The five-year figures are still led by the Schroders Japanese Smaller Companies Fund, although its lead is being whittled away. Over one month, US smaller companies funds top the tables. *P.C.*

Call to independent advisers

The financial magazine, *Money Management*, would like to hear from all independent financial advisers who offer a fee-based service to their clients. The magazine last year ran a successful survey covering the debate as to whether advisers should be remunerated by fees or commission. As a result, the magazine received many calls from the public asking for information on fee-based advice, but found that no available list existed of such advisers.

Money Management is now compiling its own list, not just of those advisers operating solely on fees, such as accountants, but where fee payment is part of a package offered by the adviser. Contact Janet Walford, *Money Management*, Greystoke Place, Fetter Lane, London EC4A 1ND. *E.S.*

INSIDE...

Ways to trim costs

Thinking of putting your financial affairs in order? If you want to make more of your money, you should try to maximise the return on your investments and minimise your tax. *Sara Webb* draws a checklist of things to bear in mind. *Page IV*

Minding Your Own Business

Jane McLoughlin meets Jane Down, known to all as Lady Muck, who seeks converts to her natural compost cause. Down started her business because the muck was there, and where there's muck, there ought to be brass... *Page V*

Briefcase: Excluding the in-laws: *Page IV*

Part A

1. Lord Hanson (Hanson wanted to open the bidding for Powergen but Department of Energy decided not to auction it).

2. John Elford Jones, chairman of Welsh Water, which bought a 9.95 per cent stake in South Wales Electricity in the first week of dealings.

3. E. V. Vulture, which launched a bank refinancing package and rights issue to raise cash for completion of the Channel tunnel.

4. Sir Ernest Harrison, chairman of Racal Telecom and Racal Electronics, explaining his decision to unbundle Racal Electronics.

5. Jim Sherwood, president of Sea Containers, who beat off a hostile bid from Stena and Tipperary in January, by selling most of his group's Seafarers' trusts and container fleet to the predators.

6. Sir James Goldsmith's Hoyles consortium, which abandoned its £1.3 billion bid for BAT Industries because BAT had started selling or demerger peripheral businesses.

7. Molins, which narrowly escaped takeover by Leucadia National Corporation in May.

New Year Quiz answers

Here are the answers to last week's Finance & the Family quiz. Please remember, there are NO prizes for correct answers, the quiz was just for fun.

22. Aquascutum was bought by Renown
23. Poly Peck
24. Sir James Goldsmith
25. 2422.7
26. Drexel
27. Karpatrike Quiz
28. 1. By visiting the UK such that your annual average, struck over any consecutive period of four years, exceeds 90 days. Alternatively, by visiting the UK for any period at a time when accommodation is available for your occupation if you do not, at that time, have full-time overseas employment or business.
29. 2. Never. They only express opinions, and only then if the matter is relevant to determine whether tax is immediately due.
30. 3. The composite rate tax currently deducted from UK bank and building society interest and which is therefore non-repayable. (But see question 6.)
31. 4. No. Liability will, in any event, attach for the tax years in which departure from or arrival in the UK takes place. For complete years of non-residence and allowances to which you are entitled will be set off against this income in priority to, for example, letting profits. Offshore interest can avoid these disadvantages.
32. 5. Yes. Since the assessment will be raised on him, he is entitled to ensure that he has funds to pay it.
33. 6. They can all claim tax relief for set-off against UK income, even when not resident there.
34. 7. (b) MIRAS. British subjects and certain others (see question 9) can also claim relief for pre March 14 1984 life premiums, but only by making an annual claim.
35. 8. The sale of securities one day, followed by their re-purchase the next morning. Exports frequently use this procedure to clear their investment portfolios of capital gains before resuming UK residence.
36. 9. Yes! If the investment was held sterling depreciated against the dollar, the sterling value of \$30,000 at the time the shares were sold could well be greater than the sterling cost of \$10,000 when they were bought. Indexation relief would reduce the impact somewhat.
37. 10. (a) No. The gift is exempt without limit. (b) Yes, unless the value is covered by the £128,000 nil rate band and/or the £55,000 exemption applicable where gifts pass from a UK domiciled spouse to a non-UK domiciled spouse. But only provided that these exemptions have not been used by gifts made in the preceding seven years.
38. 11. They are now taking the view that in the case of bondholders ordinarily resident in the UK, tax may be due under the anti-avoidance Section 739 on all income accruing within the bond, regardless of whether or not any payment is

LONDON

Reeling into the New Year

By Philip Coggan

FOR A hungover stock market there are few more sobering New Year's resolutions than United Nations resolution number 678.

If the reaction of equities this week is anything to go by, eleven days of peace talks between Iraq and the Americans inspire little City confidence. Market makers seem to believe that 578 will be just another resolution broken within weeks of the New Year's arrival.

The Old Year departed on Monday still bearing the scars of some of 1990's worst news: Gulf uncertainty, recession and the demise of the mega-bid. The FT-SE 100 Index slipped from 2,160.4 to 2,143.5 in only half a day of trading. For those wishing to compare analysts' optimistic forecasts a year ago with 1990's actual closing figure for Footsie, that represented a 12-month decline of 273.3 points, or 11.5 per cent. Not a good year.

Of course, 1991 will have to be pretty dire if it is to plumb greater depths than the preceding 12 months. Figures released on Wednesday showed

that business failures increased by 35 per cent in 1990, against 1989. Some 34,422 businesses went bankrupt or into liquidation during the year - the highest number during the 10 years for which figures have been compiled.

But after a year in which pure cash performed better than shares, the question is whether fund managers will want to spend that money on equities at all.

Gulf apart, the ill omens of recession should be enough to deter many investors. The prospects of doom failed to go away with the Old Year: two days into 1991, Sir John Quinton, Barclays' chairman, warned that the Britain's High Street banks might have to write off up to £2bn during the year, because of recession.

Of course, 1991 will have to be pretty dire if it is to plumb greater depths than the preceding 12 months. Figures released on Wednesday showed

almost uniformly gloomy about the possibility of a rapid improvement in the UK economy this year. An average of forecasts published by the FT on Thursday suggested that inflation could come down to about 5.4 per cent by the end of this year, but at a hefty price to British industry: UK output is unlikely to grow by more than 0.1 per cent - that would be the lowest increase for nine years - while unemployment could rise to 2m by the end of the year.

This could be another bad year for devotees of the January Effect, the old saw which says the stock market usually rises during the first month of the year. Last year dented the theory - the FT-Actuaries All-Share Index fell by nearly 3 per cent in the month - and the first days of 1991 do not bode well for this January's performance. Footsie closed last night at 2,126.1, down 34.3 on the week, and already 17.4 points lower since 1991 trading began on Wednesday morning.

It was a predictably quiet week in the corporate sector, but of the small amount of news which emerged, was not particularly familiar.

A much-heralded deal disgraced on Monday when British Airways abandoned its £34m investment in a new European joint airline venture with Sabena of Belgium and KLM Royal Dutch Airlines. The collapse of the deal was blamed on Sabena's financial problems, a change of policy at the Belgian airline, European Commission objections and the squeeze on airlines caused by higher fuel prices.

Easthope & Co - the chain which used to trade as Next the Jewellers - disappeared from the High Street on the last day of 1990, when administrative receivers were appointed. Worryingly for Easthope's erstwhile parent, Next, and fellow retailers, it was the slack pre-Christmas trading which sealed the company's

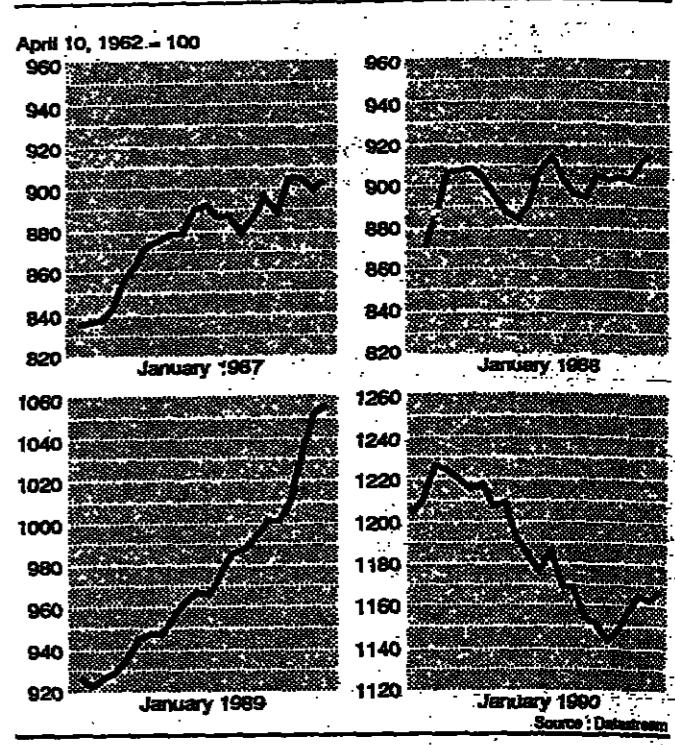
late. Whether Sunday trading and premature or prolonged sales will be enough to keep other tills ringing remains to be seen.

Britain's insurers are also bracing themselves for storms, both real and financial. One of the big five general insurers, Guardian Royal Exchange, warned on Monday that its 1990 results would be hit by adverse trading, rising claims and ferocious competition on rates. Of the quintet, only one, Commercial Union, is expected to report a profit for last year.

Finally, the week saw some poignant farewells from the heart-burly of the City. Eric Morley and his wife Julia announced they would buy the Miss World beauty contest business back from its owner Trans World Communications for £900,000. Morley is 71, his hobby is running beauty contests, and his ambition is to realise Miss World's "enormous potential".

Birmingham Mint, one of the UK's three remaining coin-

FT-Actuaries All-Share Index



mining operations has fallen to the much larger engineering group, IMI, in one of only a handful of contested takeovers left in the market. IMI confirmed yesterday that it had won the electronics and engineering group with its £135m increased offer, ending a 10-month battle.

Last, and least, the Third Market packed its bags on Monday, following Stock Exchange reforms of the primary and secondary markets. Some of the surviving companies on the City's most junior market have transferred to the USM, but shares in most will be traded using the matched-bargain Rule 3352 system.

In spite of initial enthusiasm for the innovation, the Third Market never really generated enough interest from investors - a familiar story, recently, at all levels of the equity market. As they say in the more pessimistic corners of the Square Mile: one down, two to go.

Andrew Hill

SMALLER COMPANIES

US revival, or a false dawn?

Line, for example, suggests that the investment service's analysts made downward revisions to earnings forecasts for 523 companies in the fourth quarter of 1990. Upward adjustments were applied in only 74 cases.

Only on Friday did sentiment shift slightly, when jobless statistics proved cheerier than feared. To the surprise of the pundits, the non-farm payrolls decreased by 76,000 - about half the 150,000 figure which analysts had forecast. True, the civilian unemployment rate still stood at 6.1 per cent last month, the highest level since June 1987. But the markets immediately concluded that the decline in the economy is at least proceeding at a rather slower rate. That, in turn, brought some stability to Wall Street. By noon on Friday, the Dow Jones Industrial Average had managed to claw back a couple of points, although it remained shy of the psychologically-significant 2,600-point barrier.

This is, however, a small and rather tentative measure of comfort. Already, 1991 has claimed a few more bankruptcies: a couple of Chapter 11 filings hit the wires on Friday, while USG Corporation, the largest gypsum wallboard manufacturer, announced a restructuring plan to avoid just such a scenario. Concern about many specific sectors persists. Retail stocks, in particular, took a tanning as the grim December sales figures unfolded. In short, New Year may have dawned and the Christmas decorations returned to their boxes, but the old year's worries are less easily packed away.

Monday 2,833.6 + 4.45
Tuesday closed 2,810.6 - 22.02
Wednesday 2,792.5 - 27.13

Nikki Tait

made to the investor.

12. (a) Dow Jones, (b) Nikkei Dow, (c) Hang Seng, (d) Com-

13. (a) Offer price, (b) Bid price

14. Independent financial advisers (as opposed to tied agents).

15. (a) Self Regulatory Organisation, (b) Financial Intermediaries Managers and Brokers Regulatory Association, (c) Recognised Professional Body, (d) Securities and Investment Board, (e) Life Assurance and Unit Trust Regulatory Organisation, (f) Investment Managers Regulatory Organisation.

16. False. She would receive the "statutory legacy" of £75,000 and the income for life from one half of the remainder, in other words £250,000, the capital sum itself being held in trust.

17. (a) The transfer itself will attract no liability and the trust assets will remain outside the charge even if you subsequently become domiciled in the UK. (b) The transfer will attract an immediate liability and, in addition, the offshore trustees will have a continuing liability under the rules relating to discretionary trusts.

18. They are now taking the view that in the case of bondholders ordinarily resident in the UK, tax may be due under the anti-avoidance Section 739 on all income accruing within the bond, regardless of whether or not any payment is

lusionism with small company stocks. At the same time larger companies were emerging from the recession either leaner and fitter or in a state that made them prey to the corporate raiders of the mid-80s.

In theory, at least, one might expect smaller companies to outperform their larger brethren. This is because it is easier for a \$100m turnover company to grow at a faster rate than a \$20bn turnover company. Smaller companies are more flexible; larger groups can be weighed down by bureaucracy.

Detailed research on smaller companies in the UK certainly seems to confirm this phenomenon. In the US, in contrast, figures from fund manager GMI Woolley show that smaller companies have tended to show lower earnings per share growth and a poorer return on equity than larger groups.

Nevertheless, there must come a point at which the underperformance of smaller companies comes to a halt. Figures from T Rowe Price, a US fund manager, shows a definite cycle in the relative p/e ratio of stocks in its "smaller companies" fund.

The same trend is seen in the Russell 2000 index, another barometer of small company performance. The price/earnings ratios of companies included in the index reached a high, relative to the S & P 500, of around 1.4 in 1983. There was then a sharp decline to parity in 1987; a revival after the Crash, and then another precipitate decline to parity now.

Another way of valuing shares is to compare the share price with the net asset value, a method that Americans refer to as the price-to-book ratio. Here again, the Russell 2000 reached a relative high compared with the S & P 500; its relative performance has declined fairly consistently since then.

Why have smaller companies performed so badly over this period? After all, UK smaller companies were going great guns all the way up to 1988.

One reason is that the US market got terribly excited about smaller companies in the late 70s and early 80s. The "smaller company effect" had been well documented and new funds were established to take account of it. There was a tech boom when for a while it seemed that two men and a garage was all one needed to create a billion-dollar computer company.

The bubble inevitably burst. As Davina Walter, manager of Henderson's US smaller companies fund, recalls: "There was a spate of new issues of companies with no real track records. Many of the groups had difficulties and the sponsoring brokers walked away leaving investors stranded. The hi-tech groups had difficulty surviving."

The result was investor disillusionment with the US stock markets at the moment. The financial sector is clearly in crisis; many large US companies look overburdened; the economy is sliding into recession; and Gulf war still looms. The Wall Street showed significant signs of the other major stock markets in 1990. So although US small company shares can now see the light at the end of the tunnel, it is still not clear whether the light is a sign of sunshine, or the approach of an express train.

Philip Coggan

Play the takeover market through your building society

CHELTENHAM & Gloucester Building Society this week announced plans for a merger with Portsmouth Building Society. As usual with these deals, Portsmouth members will receive a bonus in return for giving up ownership of their society.

The merger, which must be approved by members of both societies, is expected to take place by the end of June. Savers of Portsmouth will receive a bonus of 1.75 per cent on their accounts. The amount will be based on the lowest balance in their accounts between December 20 1990 and the day before the merger comes into effect. In practice the closing date is likely to be June 29.

Mortgage customers of Portsmouth will be offered a reduction of 0.25 per cent on their interest rate for a six month period.

The 1.75 per cent bonus to savers is below the 2 per cent which had been forecast in the industry, but compares favourably with the 0.75 per cent paid to members of Peckham and Walhampton Building Societies when they were taken over by C&G last year.

If you are not already a saver with Portsmouth, there is no point in moving your money to the society in the hope of a bonus. However, it may be worth savers thinking about which societies could yield an unexpected windfall.

The reason for the bonuses is that, though they never assert their rights, the legal owners of a building society are its members, both the savers and the borrowers. If they transfer their ownership to an outside body in a takeover, they are entitled to

compensation.

There are three situations in which this is likely to be the case:

■ the take-over of a small society with high reserves by a larger one;

■ a stock market flotation; and

■ a take-over of a building society by another kind of institution such as a bank or insurance company.

C&G, the "mergers king" of the building society world, has set the recent fashion for paying bonuses to the customers of smaller societies. Until its take-over of the Guardian, two years ago, such mergers were rare. They depend on the society having a high level of reserves. Customers of Guardian building society, a fairly large London society, with only one branch, received 4 per cent but this was exceptional.

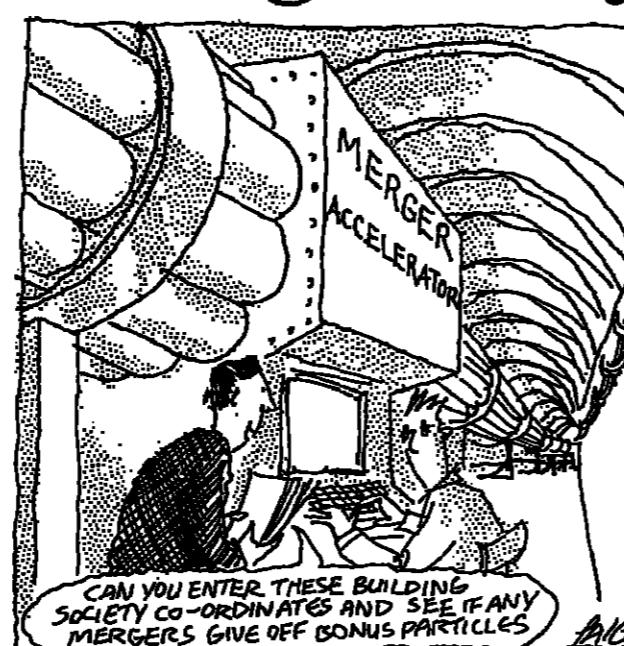
Savers with Peckham and Walhampton, societies taken over in much less favourable business conditions, did less well.

Borrowers can also look forward to a modest gain from a merger, usually in the form of a small discount on their mortgage rate during the first year.

It is by no means clear that a larger society will always pay a bonus to take over a smaller one. To some extent it depends on whether the owners of building societies wake up to their rights or not — and whether they put their own interests first.

Mergers tend to be thrashed out not by the members of a society, but by chief executives meeting privately in smoke-filled rooms.

Last spring, customers of Frome Selwood Building Soci-



ety voted for a 2 per cent bonus on their savings from Stroud & Swindon rather than a 3 per cent bonus from C&G. They seem to have been swayed by arguments from the board that the Stroud & Swindon merger would be better for the society's staff.

What about the other two situations in which a bonus can be triggered? They will be most in evidence in conversions of building societies into companies, because the Building Societies Act requires societies to get the approval of an overwhelming majority of their members.

Abbey National floated on the stock exchange in July 1989. Its members did well out of the change: they received 100 free shares, worth 140p

each then and now about 230p.

To qualify for a distribution of shares or bonus as a saving member when a society converts into a PLC, the Building Societies Commission now insists that a member must have been with the society for two years. This means that you have to choose your targets well in advance — and also that there will be some members, those of less than two years' standing, who will entitled to vote on a flotation but not allowed to take the free shares.

If a society is taken over by a bank or insurance company, its members can expect large cash payments. The problem is that since Abbey there have been no other building society flotation and no outsider has

yet tried to take over a society. Those who put money into societies hoping for an early return have been disappointed.

However, most building societies seem to accept that outside takeovers will come sooner or later, though the depressed state of the housing market probably played a part in deterring would-be predators last year. It is even possible that hostile takeovers will come eventually. So, here are some tips for building society savers in search of a bonus:

■ Make sure that your account does confer full voting membership of your society. Some new accounts do not. For example, Halifax's cardcash account and its cheque book account do not make you a member of the society, but Alliance & Leicester's cardcash account does. Check this point carefully: branch staff often seem to get it wrong.

■ If you have a savings account with a society that goes back several years but does not make sure it is always kept well above the £100 level.

■ Bear in mind that smaller societies, particularly ones with strong reserves, are more likely to yield a merger bonus than a top ten society. Healthy small societies are also possible targets for takeovers from outside the industry.

Top ten societies have little to qualify for a distribution of shares or bonus as a saving member when a society converts into a PLC, the Building Societies Commission now insists that a member must have been with the society for two years. This means that you have to choose your targets well in advance — and also that there will be some members, those of less than two years' standing, who will entitled to vote on a flotation but not allowed to take the free shares.

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IF YOU HAD an extra £100 per month which you had to invest, where would you be most likely to invest it?

When Mintel International

Group asked the same question of a population sample, they received the following answers:

■ building society account — 28 per cent;

■ bank/building society account paying higher interest for regular savings — 24 per cent;

■ personal pension plan — 11 per cent;

■ bank deposit or savings account — 9 per cent;

■ Tessa — 8 per cent;

■ unit trust savings scheme — 4 per cent;

■ savings scheme linked to a PEP — 3 per cent;

■ share portfolio with a professional portfolio manager — 2 per cent;

■ with profit endowment insurance — 2 per cent;

■ savings scheme linked to an ethical investment — 1 per cent;

■ unit-linked endowment insurance — 1 per cent; and

■ don't know/no one of these 7

Source: Mintel Publications

ing savers with a risk-free return. Investors may have opened deposit accounts with money that would otherwise have gone into the stock market.

"Intense competition between the banks and building societies for deposit money may have resulted in savers opening multiple accounts with different banks and societies."

"The collapse of the housing market may have discouraged people from stretching their savings financially to buy a home, encouraging them to keep their money in savings rather than in property."

"In spite of the government's commitment to wider share ownership, Mintel reports that investment in quoted shares has fallen."

"On a somewhat gloomy note, the report concludes that 'information is no protection against disaster... greed or a simple herd instinct can lead anyone into making wrong decisions. Chart analysis, track records, all the paraphernalia of the investment advice industry, are no more than the record of past experience. Like the weather forecast, it assumes that past experience will be repeated. It is the only broad guide to the future available, but it is by no means infallible."

Mintel points out that as the balance between risk and reward is always shifting, you must be willing to shift investments not only from product to product but from type to type. Any consumer with money saved or invested from years ago should keep up to date with major changes and review the arrangements from time to time.

"Mintel Special Reports: Investments, is available from Mintel International Group, 18-19 Long Lane, London EC1A 9HE, price £750."

Sara Webb looks at a poll of prospective investors

Savers' favourites

Ownership of various investments

Building society account

Life assurance

Not linked to a mortgage

National savings

Privatisation shares

Non-privatisation shares

Unit trusts

Personal equity plan

Gifts

None of these

Source: Mintel Publications

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Behave with Tessa

IF YOU are one of the thousands who rushed to put money into a Tessa or Tax Exempt Special Savings Account, on January 1, be warned that the Inland Revenue will be keeping an eye open for cheaters, writes Sara Webb.

You are only allowed one Tessa per person and the Revenue will be watching for savers who try to open more than one. For a start you are supposed to sign a declaration in your Tessa application that you do not already own another Tessa. You will also have to provide your National Insurance number on the application form, and this will be used to compile a central register of Tessa-holders, as with Personal Equity Plans.

You are free to transfer your Tessa from one institution to another in pursuit of a more attractive rate, but some Tessa providers penalise deserters by charging them a fee or by with-

holding interest.

Chamberlain de Broe, the fee-based advisory group, has launched a combined TESSA and PEP which claims to offer a tax-free yield of 13.95 per cent for those investors in £9,000 to spare, writes Phillip Coggan.

By saving the maximum £3,000 via the Save & Prosper TESSA and rebating the commission normally paid to financial advisers, C de B says it can offer a 19 per cent yield. This is combined with the KILLIK self-select Personal Equity Plan, under which investors choose to opt for cash. The £6,000 in cash can then be switched into equities when the prospect for a Gulf War has receded: the high initial yield earned will have significant compounding benefits over the life of the package. C de B will charge a fee of £50 plus VAT to arrange the deal: it will offer the PEP or TESSA separately.

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TABLE 1:
Investor aged 29 at outset paying £30 a month

	Payed in Jan 1.1991	% Change over Jan 1.1990
10 year endowments		
CU	7,645	-1.4
GA Life	7,029	+0.6
Sun Alice	6,547	-3.3
GRE	5,892	-10.8
25 year endowments		
GA Life	63,080	+12.4
CU	61,721	+2.5
Sun Alice	52,429	-1.6
GRE	46,345	-3.3

Eric Short on the conflicting patterns for endowment holders

Bonuses could be a lottery

INVESTORS holding with-profit endowments which mature over the next few months may find the size of their pay-out is something of a lottery.

Much depends on the life company with which they hold the policy. On the announcements made so far, two companies admit that their investment performance last year was poor, though they claim it was not as bad as the market.

Both companies are in a strong financial position — primarily because they were cautious in making last year's declarations. The GA Life and CU are in a position to maintain increased payouts and to hold those high rates without seriously weakening their financial strength.

Nevertheless, GA Life's actuaries have protected its back by providing the increase in the form of a special reversionary bonus which could, if necessary, not be paid in 1991 or subsequent years — a more convenient and flexible move than increasing normal bonuses this time, only to be forced to cut them back in future.

Without this special bonus, GA Life would have had a much lower increased payout as Table 2 (below left) shows.

But what can be expected by those investors with maturing policies where the life company has yet to declare its bonus rates?

Many life companies which had intended to cut payouts, are now probably reassessing the situation. A clearer picture is likely to emerge next week when Norwich Union announces its rates.

A way to profit from Next

SINCE last February shares in Next, the troubled fashion and furnishings retailer, have fallen from more than 100p to just 13p and George Davies, the founder, has long departed the stage.

However, along with those buying the shares in hope of a recovery, there are those who have spotted an unusual way of profiting from the company's lowly market rating.

If you own 500 Next shares before the report and accounts are posted in the spring, you should receive a voucher

which, for a limited period, gives 25 per cent off any items bought at any of Next's stores.

The offer is restricted to just one visit to Next but there is no limit on the number of items that can be bought.

After dealing costs, 500 shares would cost around 280. So any purchase of £320 or more would make it worth taking up the offer. However, the company now says the scheme is under review — you have been warned.

James McCallum

THE SAVE & PROSPER

PEP

SAVE OVER £100 INVEST NOW

A Personal Equity Plan is an excellent way of investing tax-free. And, with a Save & Prosper PEP, you can take advantage of your full yearly PEP allowance. So you can invest up to £6,000 (£12,000 for a couple) without paying tax on your investment — however much it makes.

But that's not all you stand to save:

- During January 1991 there is no initial plan charge on lump-sum investments in our Managed Portfolio PEP.
- This means that if you invest your full PEP allowance you can save £105.32.
- For investments up to £3,000, consider our Unit Trust PEP. There's a 1% discount on the offer price of units for lump-sum investments during January — saving you up to £45.

To find out more, just post the coupon, talk to your financial adviser or ring us free on 0800 282 101.

But, whichever you do, do

FOOD & WINE

Cheap and cheerful bubbly

Jancis Robinson searches for drinkable fizz costing under £10 a bottle

ONE OF the most riveting social questions of 1990 is how Britain's new-found enthusiasm for champagne as a devil-may-care purchase, suitable for minor as well as major occasions, will weather the fact that so much of it costs closer to £20 a bottle than £10.

The price of Sainsbury's Extra Dry Champagne, the index of champagne in its most democratic, is admittedly still only £10.95 but it is a sign of rising costs everywhere and particularly in the Champagne region that it, with other supermarket own-label champagnes, is now well into double digits.

Oddbins, Wizard Wine Warehouse, and a strangely upmarket bedfellow in this cost-cutting enterprise, Bibendum, of London NW1, all offered little-known champagnes at, just, under £10 a bottle in the run up to Christmas (and may still have limited stocks). Oddbins and Majestic meanwhile continue their crowd-pulling champagne offers of, respectively, seven bottles for the price of six and 15 per cent off a case.

But the price of brand leader Moët & Chandon (now sister brand to Lanson and Pommery) as well as Veuve Clicquot, Mercier, Ruinart, Canard-Duchêne and Henriet has reached £16 at most shops and is still rising. So much so for the index of *grande marques* champagne.

Will all those people who this time last year so casually and so often slipped a bottle or two of the most luxurious fizz in the world into their supermarket trolleys continue to do so?

Although the Champenois propaganda that all champagne is a cut above anything else has been absorbed by a wide range of these new consumers, I suspect not. Many would have regarded champagne as a wicked indulgence in the early 80s and may well revert to that view as champagne prices rise and as the quality of non-champagnes rises – although the best of them such as California's Iron Horse and Australia's Croser (both from *Les Amis du Vin* of London W1 and W2)

can now cost as much as the French prototype.

Now that fizzy dry white wine has etched itself a place in the social lives of new armies of Britons is there anything that can take the place of champagne and costs less than £10 a bottle? *Weekend FT* wine correspondent Edmund Penning-Rossell and I set to work to find out.

In a blind comparative tasting of 19 different dry sparkling wines only one, Bibendum's *Brûlé des Crayères* £9.89, was The Real Thing.

To the credit of both wine and taster, this champagne was Edmund Penning-Rossell's favourite. He particularly appreciated its assertive, fruity flavour, whereas I, a lush one, marked it down on that account (and because of its coppery tinge suggesting that not all of the pigments from the red Pinot grape skins had been precipitated).

Edmund also liked another very broad,

rich wine that had clearly spent a nice

long time in bottle, *Réal Cava Chardonnay* £6.99 (Gateway, Morrisons, Oddbins, Thresher, Victoria Wine) which would be appreciated by a wide cross-section of wine drinkers, if not perhaps by the most fastidious champagne devotee. What I was looking for was an appetising, well-balanced aperitif – not too green with harsh young acidity and not too opaquely ripe as to be slightly sickly – which one could contemplate drinking in quantity at a party and/or before a meal.

On that basis both of us were impressed by Wilson's, an Australian blend of the champagne grapes Pinot and Chardonnay grown near the Croser winery in the fashionable Adelaide Hills, although even Oddbins' price of £9.49 is only a notch under £10. It was a confident, well-balanced wine, quite but not overwhelmingly big and biscuity, and I could easily imagine asking for a second glass.

The exact nature of its fizziness was very similar to that of champagne, whereas I find many Spanish and Italian sparkling wines froth rather than fizz so that they are almost uncomfortable to drink. You feel you should be dribbling or burping instead of enjoying a neat and

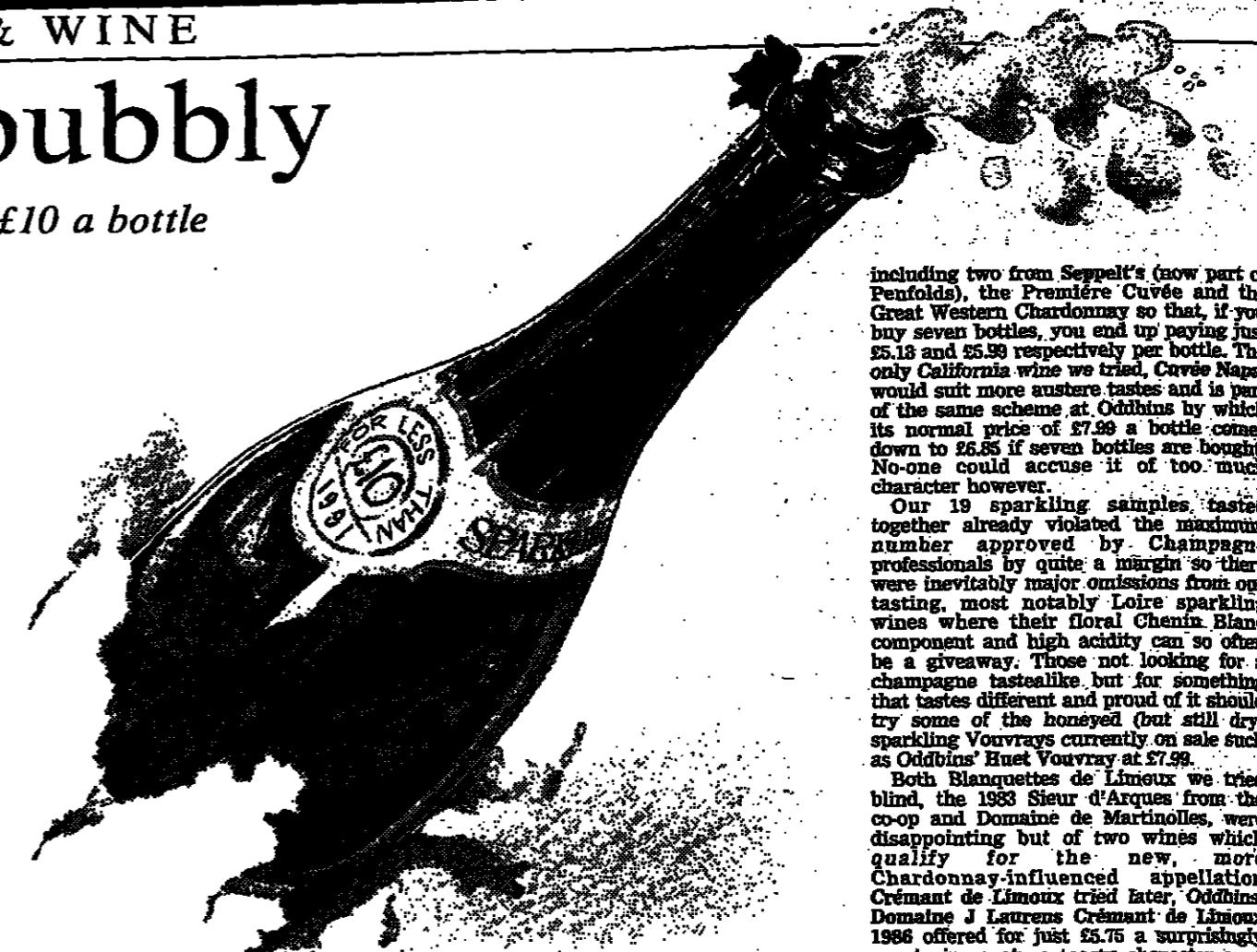
pleasurable explosion of tiny beads inside your mouth.

Two more wines we both liked as well-mannered, well-made alternatives to champagne – both of them marked by appetising dryness rather than camouflaged by too much sweetener like so much young fizz – were the quite widely available Pinot-based *Cremant de Bourgogne*, *Cave de Lugny* £5.85 (Gateway, £5.95 Waitrose, £5.90 Haynes Hanson & Clark of London W8 and SW6) and the new New Zealander *Deutz Montana Brut* £9.99 (at Oddbins). Champagne house Deutz dallied in Australia but finally settled on a partnership with Montana in Marlborough at the north of New Zealand's South Island to produce this creditable first release. The bubbles were a bit sluggish and this is clearly a very young, slightly gawky wine but it is clean, comfortable to drink and made very much in the image of a brut champagne.

The *Cremant de Bourgogne* is one of the best that is easy to find in this country. My notes say: "Quite substantial but dry. Bollinger style! Very young but I'd happily age this six months or a year." Edmund felt that this, like so many of these wines, had very little aroma, but it is certainly meatier than the *Cave de Lugny*'s all-chardonnay *Cremant* (labelled *Blanc de Blancs*) sold by M&S and Oddbins. And it's cheap.

The wines that follow would not please all... One wine *Nadal* £6.25 (Carley & Webb of Framlingham, £6.67 Moreton Wines of London W2 and W9, £6.75 Bin 88 of Sheffield) stood out as the bargain for those who seek the extra layers of flavour that come from age. It was clearly Spanish with its lemony, slightly sherbet-like tang but it was also clearly fully mature and, according to the importers, was actually made in 1985 making it the oldest wine in the tasting, yet by no means the most expensive.

For neutrality, and perhaps this explains something about the location of the European Court, the Luxembourg fizz *Cuvée de l'Écusson* (about £5.75 from Rayner, Selfridge's and Eldridge Pope of



James Ferguson

Dorchester) would be difficult to beat: lively, appetising but, at the end of the day, just too simple. A wine made just outside the Champagne region, *Charles de Fére Tradition*, £7 from *Le Nez Rouge* of London N7, was delicate but shared some of the Luxembourg's vivacity.

Of major Cava (Spanish champagne method) offerings, *Codorniu* 1988 *Première Cuvée*, £5.65 from Victoria Wine, was cleaner and neater than *Freixenet Cordon Negro* 1987 (although one has inevitable

doubts about the back label claim on a

year). Both the *Codorniu* and *Tanqueray's Cava* tended to froth rather than fizz.

Australian sparkling wines have been delighting Oddbins' customers for more than a year now with *Angus Rose* (not in our blind tasting for obvious reasons) a favourite with those who like their fizz full, fruity and just £4.99. Until January 20 Oddbins are extending their "seven for six" promotion to six non-champagnes

including two from *Seppelt's* (now part of Penfolds), the *Première Cuvée* and the Great Western Chardonnay so that, if you buy seven bottles, you end up paying just £5.18 and £5.39 respectively per bottle. The only California wine we tried, *Cuvee Napa*, would suit more austere tastes and is part of the same scheme at Oddbins by which its normal price of £7.99 a bottle comes down to £6.85 if seven bottles are bought. No one could accuse it of too much character however.

Our 19 sparkling samples tasted together already violated the maximum number approved by Champagne professionals by quite a margin so there were inevitably major omissions from our tasting, most notably Loire sparkling wines where their floral *Chenin Blanc* component and high acidity can so often be a giveaway. Those not looking for a champagne taste like, but for something that tastes different and proud of should try some of the honeyed (but still dry) sparkling *Vouvray* currently on sale such as Oddbins' *Buet Vouvray* at £7.99.

Both *Blanquette de Limoux* we tried blind, the 1983 *Sieur d'Arques* from the co-op and *Domaine de Martinolles*, were disappointing but of two wines which qualify for the new, more Chardonnay-influenced appellation *Cremant de Limoux* tried later, Oddbins' *Domaine J. Laurent Cremant de Limoux* 1988 offered for just £5.75 a surprisingly convincing mature toasty character on a rather searingly acid palate. *Adams*' new sparkling Chardonnay, the same as sold by Marks & Spencer at £5.50 tastes very young while the most popular *Cremant d'Alsace*, from *Doppf au Moulin*, has

gained from some bottle age.

Edmund was slightly disappointed by the performance of *Varichon & Clerc's* sparkling *Savole* while the current *cuvée*

of *Omar Khayyam* from India was not as good as the one we had tasted two or three years back. *Schinus Molle* from where *Moët* has invested in Australia did not thrill either of us and *Cavalier*, the only really cheap wine in the tasting, was all too easy to identify.

Chefs who understand value for money

Nicholas Lander on why restaurants must go out of their way to please in 1991

AFTER dinner in a top British restaurant one of this country's most respected hotel managers was talking to the chef-patron, complimenting him on the meal. The chef was unhappy. Pointing to two empty tables the chef said that if this carried on he would have to put his prices up, yet again. More realistically, the hotel manager went away and increased his prices for the next 12 months below the expected rate of inflation.

He did this because he knows from long experience that for the general public, his staff and chefs, not to mention the shareholders, restaurants are depressing when they are empty. They are built and budgeted, to be bustling and few people like to dine alone. The waiting staff make more money. Chefs like the adrenalin running through their veins that a full house brings and enjoy watching their food being eaten.

Achieving this is not easy, but it is the only long-term solution. When faced with declining custom and rising costs too many restaurants put their prices up, a practice which not only frightens off new customers but temporarily, and often irrevocably, hides inefficiency. It is also not what their existing customers want. Change the table slips from linen to paper, put off painting the entrance and cut down on the number of complimentary drinks, but do not put the prices up.

In New York where money talks, restaurateurs have been pursuing this policy since early 1990 with the assistance of restaurant consultants, professionals barely known in the UK. Acting partly as time and motion engineers, and partly

harbingers of market demands, they have overhauled cost structures and menu prices. They have watched, for example, how long it takes to cook, slice and arrange a rack of lamb on a plate. One restaurant was charging £27.50 (£14.60) for that. It was replaced with a leg of lamb that could be sold, just as profitably, at £17.50. Turnover has improved and the restaurants are still in business.

These changes are not easy to accomplish as they can involve changing some of the preconceived notions behind a restaurant's creation. But, if the 1990s are to be the decade when the customer is king – and not the chef as it was in the 1980s – then they must happen. These changes are more difficult in this country because we still see going out to eat as a special occasion rather than a daily pleasure. We still expect a great deal without realising that labour is no longer cheap, and that everything must find its way on to the bill. We resent what abroad is seen as good housekeeping and in Britain as an attempt by the owner to maximise profits – the French habit of holding on to the same set of cutlery for some first and main courses, for example.

There are chefs and restaurateurs up and down the country who are aware of the importance of value for money, and they are far more numerous than those listed here. In addition, restaurants are being opened which show considerable imagination and rigid cost control.

Some time ago chef Antony Worrall-Thompson opened 190 Queen's Gate, in London SW7. The food in the restaurant was too complicated and rich for my liking but he has opened Bistro 190 alongside it. The second change may be, at long last, the emergence of the pub as a venue where you

can eat well. The simplistic answer to why one can eat reasonably cheaply in France is *en famille* and not in the UK is that pubs, conveniently located on so many street corners, have largely chosen to restrict themselves to beer-drinking men with crisps as the only nourishment. In the panel are five pubs that serve good food, have rooms and could easily provide a reasonable substitute for a weekend in a more luxurious, but more expensive, country house hotel.

Much more down market has been the spread of Harvester Restaurants, now 74 in number with a further 21 opening this year, which began as annexes to Courage pubs. Operated by Trusthouse Forte these cater, at very reasonable prices, for the whole family and encourage you to spend far more time than the seven minutes McDonalds wants you in its

successful restaurant on their sites. Olympia & York, in its campaign to attract custom to Canary Wharf, has already included a leading British chef in its advertising campaign.

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At Alba, near the Barbican, I was in awe of the French chef's food with his husband's food with passion. At Alba, near the Barbican, I was in awe of the French chef's food with his husband's food with passion. At

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Le Chausson, 3537 Parkgate, SW11, 071-223-1511

Tall Orders, 676 Fulham Road, 071-373-9573

St Anne's Passage, W1, 071-494-4941

14, Chalk Farm Road, NW1, 071-267-9820

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Braeval Old Mill, Aberfoyle, Scotland, 087-72 711

Dicken's, Wetherfield, Essex, 0371-850723

Epworth Tap, Epworth, Humberside, 0427-673333

French Partridge, Horton, Northamptonshire, 0604-870033

La Brasserie, Bristol, 0272-688456, Pias Bodegros,

Lettone, Bristol, 0272-612363

The Triangle, Glasgow, 041-221 8758

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At the end of the day, the customer is king. Edmund Penning-Rossell and I set to work to find out.

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TRAVEL

More pistes for your pounds in Europe's bargain month

There are plenty of value-for-money holidays on offer, even in the heartland of Euro-skiing — Switzerland, Austria and France. Arnold Wilson reports



ONE OF THE best bars in Telluride, Colorado, is called the Last Dollar Saloon. Times may be hard in Europe, but few skiers are actually impoverished. There are no "last franc" bars in Switzerland, and there are certainly reasonably-priced ski holidays to be had there if you know where to look.

Ski holidays come in four categories: cheap, "value-for-money" (which usually means expensive), serious arm-and-a-leg, and holidays in January.

Mark Chitty, managing director of Mark Warner (071-938-1851), the chalet specialists, is convinced that January is the answer: "It has always been an unfashionable time to go skiing," he says. "It used to be because of the cold but in recent years it has been because of poor snow expectation. This winter the snow is excellent and prices are ridiculous. Basically, we're talking about £250 for a week's skiing, including half-board and afternoon tea. We're hardly covering our costs at that price."

Even if the money in your pocket has dwindled drastically since last winter, it is not necessary to abandon the traditional high ground of European skiing — Switzerland, Austria and France — in favour of a panic trek to east-

ern Europe just yet, however interesting an experience that might be. (Intasun 081-290-0511 — offers a week's half-board in a three-star hotel in Poiana Brasov, Romania, for £172 per person).

Then there is Kolsass Weer, Poland? Bulgaria? No, it is just down the road from Innsbruck and has become a nice little resort for Neilson's (0832-752622).

Says their marketing director, Gary Wardrup: "It's everything an Austrian farming village should be: real Austrian yodelling, cow milking and plenty of generalised fun."

"It's about as far away from the Aspen image as you could find. But you could always pop into Innsbruck for a change of scene. It's currently our biggest-selling resort. It's not for strong skiers but it's perfect for people who have been two or three times before. We can give the prices some real stick."

Next weekend, for example, it would cost as little as £220 for a week in a guest house that's half-board, your lift-pass, ski equipment and lessons."

In January, skiers who care to drive themselves can still enjoy a cheapish week in a Swiss chalet, Villars, a mere 75 miles from Geneva, for example, is a good bargain in the Winterworld brochure (0635-30821). For £149 you can get a week's skiing, which includes the return

ferry-crossing. Self-catering, of course, works out even cheaper: an entire chalet can be shared by six to eight people for £500 a week, including linen and electricity. Combined with a self-drive package, this works out at a basic cost of under £100 per head if all eight beds are filled.

"We hope these prices will explode the myth that Switzer-

land is always very expensive," says Jon Shiner, a director. "Prices for food and drink are no more expensive in Villars than in many French and Austrian ski resorts."

Bob Moore, managing director of Ski Esprit (0252-616789), points out another money-saver built into the cost of a chalet holiday. "People not staying in chalets should watch out for the cost of 'essential treats,' such as tea-time gateaux, pre-dinner gins, dinner wine and cognac," he says.

On a chalet holiday you get the cakes and wine free and you can openly drink your duty-free spirits without sipping surreptitiously in your hotel bedroom."

Intasun, too, has some French chalets in its bargain basement. On a room-only basis, they start at £149 for seven nights at Morzine (a resort favoured by the Princess Royal who, presumably, isn't feeling the pinch), where skiers can avail themselves of the celebrated Portes du Soleil ski surface. Intasun also offers Sierra Nevada (Sol y Nieve), in Spain, for £222 for seven nights at a three-star hotel.

Ski Thomson's Mark Wenborn says: "Just because there's a recession, people don't stop buying their goldfish. Why should they stop skiing? Chalets are cheaper than hotels and if you fill one with your friends they can be a lot more fun too."

The Ski Thomson brochure (081-300-8733) has a number of reasonably-priced holidays in Austria and France in the coming weeks. Bed-and-breakfast at the Hotel Post, in St Michael, for example, will be from £201-a-week per person from next weekend.

Seven nights at the Pension in Zell am See, would be only £173. You could spend a week at the Haus Wettli, Westendorf, b&b, for £183, and in Soll, at the Haus Haidacher, for £171.

In France, Thomson can offer cheap prices based on self-catering and packing four or five people into a studio

apartment. Hence its basic cost for the week of January 5 of £163 (Foret, Flaine), £167 (Meribel-Mottaret), £152 (Le Schuss, Val Thorens), £173 (La Daille, Val d'Isere), £170 (Les Deux Alpes) and £141 (Valfréjus).

Another way to reduce costs is to go skiing the romantic way, by train. SkiwORLD (071-802-4826) has train departures every Friday evening to Val d'Isere, Tignes, Les Arcs, La Plagne, Meribel, and Val Thorens. Whether you take advantage of a couchette (price included) or gravitate to the disco/bat is up to you.

You could also ski in a pre-

paid area while staying in a more modest location. You could stay in Leogang and ski in Saalbach-Hinterglemm (Ausseerland), for example. The difference in price of a four-star hotel is significant. Crystal Holidays (081-399-9144) offers a week at the Salzburgerhof, in Leogang, half-board, from £319 next weekend. A similar hotel in Saalbach, the Sport, would be £409. Crystal's Andy Perrin says: "In spite of the recession, skiers will ski, come hell or high water. They may shop around more and avoid the more famous resorts. But go they will."

For an up-to-the-minute

selection of ski bargains, contact Ski Solutions on 081-944-1155 or The Skiers' Travel Bureau in Leeds, on 0332-666-876.

You can cut costs by going skiing the romantic way, by train

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Arnold Wilson travelled c/o Ski Whizz Small World, which specialises in chalet parties. Details: Hillgate House, 13 Hillgate St, London W8 7SP, tel: 071-221-1121.

Arnold Wilson

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After the wheel: Charade, a 154ft state-of-art superyacht which is steered by a tiny lever

Superpower superyachts

IN EARLY December, a glistening white motor yacht lay berthed in the Pool of London. This was Charade, 154ft long and the most recent and perhaps the finest example of today's "superyachts". Charade was built for an American owner by the De Vries yard in Holland, part of the Leadership construction consortium, to standards only dreamt about by most builders.

She is packed with state-of-the-art equipment, generators, heating and air-conditioning plant, sewage treatment plant and watermakers - enough to supply a medium-sized village. Her bridge is crammed with electronics. Monitors glow with radar pictures, navigation information, computer images, pictures from weather satellites and security cameras, while LEDs and digital information screens give luminous assurance that the yacht's systems are functioning correctly. Charade was a milestone - she has no wheel - and is steered either by autopilot or a finger-sized lever.

If the bridge represents the future, her accommodation, by New York interior designer McMillan, leans towards elegant conservatism. It is like a comfortable and homely country house, with an elegant sitting-room complete with fireplace, breath-taking dining room, and four sumptuous guest suites trimmed in bleached oak and rich marble. Last year, specialist super-

yacht yards around the world turned out more tonnage than in the whole of the Golden Era of yachting in the 20s and 30s. Today's superyachts are of the highest quality construction, but there is one item on which owners disagree - speed.

In simple terms, you either have a displacement hull-form, which "displaces its own weight of the fluid in which it rests", or you have a lighter planing hull which is designed to skim across the top of the water if enough power is applied. Displacement hulls are relatively slow and sedate but quiet and fuel efficient, planing hulls are fast, thirsty, and noisy, but very "macho". Many of today's advances in yacht technology are aimed at increasing speed.

The King of Spain's 100ft yacht *Fortuna*, designed by British naval architect Don Shad, runs at 50 knots. Octopus, the 132ft Frank Mulder design for American John Staluppi, has achieved 35 knots (63mph). US designer Tom Texas is talking of 80 knots in his 80ft ACM-80 project.

The secret of these craft is low weight and high power. The former is usually achieved using German MTU lightweight turbocharged diesels while it is accepted technology to use a combination of diesel and gas turbines, such as was used by the trans-Atlantic record breaker *Gentry Eagle*.

The great advantage of gas turbines is their low weight

and small size. The US company Textron-Lycoming offers a 4,000hp unit which weighs 1,200lbs, 13 times lighter than an equivalent diesel. Recent design improvements have practically overcome high fuel consumption. Their disadvantage is price - the 4,000hp unit costs about \$1m (£518,000).

Construction of these modern-day palaces is concentrated in the Netherlands whose yards are renowned for the quality of their workmanship, or in Italy, where style is the byword, but many others are seeking a slice of the cake.

The US, historically a large customer of European yards, is struggling with its own infant industry; still not as technically advanced as the Europeans, nor, in most cases, with the same quality of workmanship or design. Europe also has its beginners: Sweden, France and Spain, Britain, world leader in the Golden Age, and Germany are clawing their way back. Germany appears to be attaining pre-eminence in the construction of the largest yachts, while Britain, contributors more than most to their appearance and decoration. Names such as Jon Bannenberg, Terence Disdale, John Munford, Don Starkey and Andrew Winch are attached to the designs of the largest and most splendid of the world's.

Even with the threat of recession the Dutch yards have full orderbooks, and this has given them the confidence to spend

huge sums expanding facilities. Even in credit-squeezed Britain, the outlook is not too gloomy. The UK's largest yard, Brooke Yachts International of Lowestoft, which built the 177ft motor yacht *Stefaren* and the 12ft *Beaupre*, is busy completing a 131-footer for launch in June and a 183-footer for an August launch as well as refitting several large yachts. Britain's oldest builder of superyachts, Camper & Nicholsons, reports that its order books are very satisfactory.

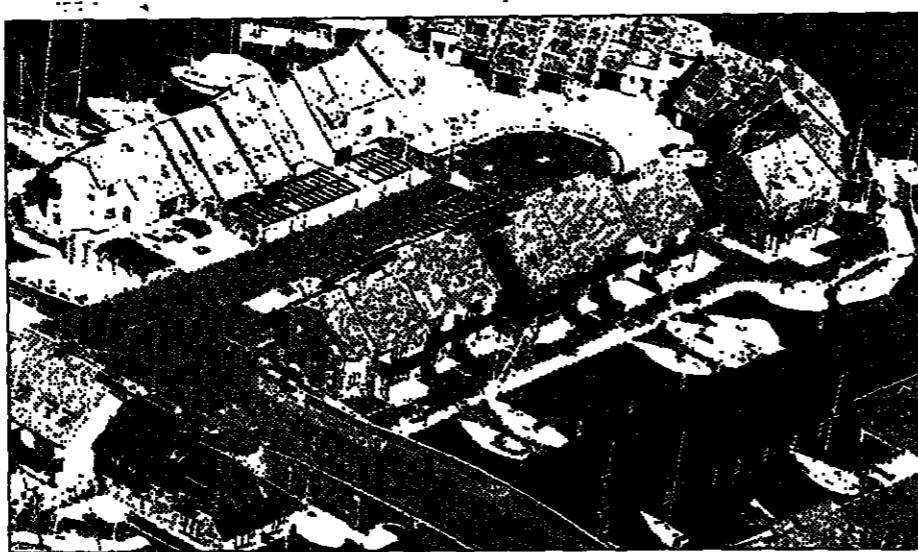
If the UK lags behind the continental Europeans on the largest of yachts, it is certainly up with the leaders in the slightly smaller league, with Sunseeker and Fairline respected names throughout the world. Both these companies said that orders, particularly for export, in the larger 40ft-60ft end of the range were unaffected but that there were some falling off of orders at the 20ft end.

Perhaps today's superyacht industry is just a passing phase. But it is certain that these last two decades of the 20th century will be remembered as the era of the super-yacht - they are today's expression of the ultimate design for living.

Roger Lean-Vercoe

Roger Lean-Vercoe is a freelance yachting journalist and editor of "The Superyachts", an annual publication.

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British boats find a fair wind

The recession has had little effect on UK builders, which have increased their share of the European market, says David Rushby

BRITISH BOAT builders have improved their share of the European market and are weathering the recession as a result of investment in new products and better marketing during recent years.

They have established contacts with European dealers and distributors who are able to promote British boats to the best advantage in an increasingly competitive market. In previous years UK manufacturers tried to market their own products abroad, but they have recognised that the best approach was to use local agents.

It is now usual for new designs to be modified to meet the demands of different markets. These changes are achieved through the use of more modular interior designs.

Although high interest rates slowed sales in the UK during the last quarter of 1990, most of the bigger manufacturers are

reporting a good year according to preliminary figures being collated by the British Marine Industries Federation. Overall for 1990, sales of pleasure craft have reached an estimated £263m, compared with £263m the previous year.

Fewer craft were sold than in 1989, but the trend towards expensive, larger and more luxuriously fitted yachts and the development of the power boat market, where growth has been greatest, has produced the revenue increase.

In the first six months of last year exports were particularly strong, showing a rise of £9.5m to £11m, compared with the first half of 1989. Imports during the corresponding period showed little change. Since then there have been reports of good business from the biggest boat shows in Europe and America.

Specialist builders, whether they produce expensive one-offs or small craft that fill a

market niche have also come through the year successfully. There has been continued interest in small traditionally rigged replicas of working craft which reflects the buyers' need to express their individuality.

Among volume builders there has been some rationalisation. Marine Products, the large Plymouth-based manufacturer of yachts for Moody and Princess power boats and Westerly Yachts have both recently made workers redundant.

Looking ahead over the next two years the industry will be preparing itself for harmonisation of European VAT, scheduled for January 1, 1993, when structural and equipment requirements for all boats built in member states will come into force.

Most volume manufacturers, which already have well-established production systems with relevant parts' documentation, will have little difficulty com-

plying with the new regulations and they should not add to the cost of running a boat. However, some of the smaller specialist builders might have difficulty to meet the changes which require full technical documentation of design and building procedures to be kept for 10 years.

At the same time, changes in EC laws governing the collection of VAT will give UK builders an advantage over builders in those EC countries where a higher rate of tax is payable, such as France. From the beginning of 1993, VAT will become payable in the country of origin irrespective of where the boat is based in the Community.

With a lead time of anything between nine and 18 months on a delivery, potential buyers visiting the 1991 Earls Court Boat Show should consider this, as it can make a considerable saving on a boat costing £100,000.

Burgees and bobble hats

Libby Purves joins the yacht club

ERSHING, like riding, is often more or less hereditary. You grow up with cars in the garage and sails in the bath, and row as soon as you can walk. So you know all about yacht clubs, too. Peaked caps, flagpoles and commodores hold no terrors: you drink it all in with your mother's milk (although not on the Members' Terrace or in the Quarterdeck Bar. Chaps worry about these things, and chaps run yacht clubs).

The rest of us, adult converts and new boating families, are cast adrift amid oddity and etiquette, uncertain how to tell a flag officer from a defaced ensign. It is all very well wandering around the Boat Show with shining eyes and a cash deposit, and practising running-fixes and intercepts at night class, but the one thing which nobody ever teaches is how to join a yacht club, or whether one should.

New sailors often feel that they have to join a club where the dining-room overlooks their favoured stretch of water. Those who do join such clubs often do so for practical reasons. You can belong for years without ever using anything but the slipway and the show-

ers: there are bound to be plenty of members who have

plenty of things out by never using anything except the bar and dining-room, preferring not to venture on to actual water.

Still, there are certain advantages in plunging bravely into yacht-club land.

You get burges to fly,

and a genuine thrill when an identical burgee turns up in Cherbourg and you can row over

and offer it a drink. You may receive reciprocal hospitality from clubs all over the world.

Children can make boaty friends to replace the ones you

keep forcing them to leave

behind every weekend. Above all, if your friends have begun to yawn uncontrollably at the mere mention of toppling-lifts or keelboats, your club bar should be a haven in which it is perfectly safe to talk about boats all night.

Some clubs are quite aggres-

sively downmarket, all beer and bobble-hats; some strangely pompos. But it would be a mistake to embrace inverted snobbery. Either can be equally cliquey, humourless and narrow-minded, displaying all the worst aspects of the male-bonding imperative. Both kinds can be the opposite: so genuinely devoted to the sea and sailing that any kindred enthusiasm is seized on and welcomed.

The magic can happen in the

hutments of an unpretentious sailing association, but equally in the royal and baronial premises.

The most Ruritanian absurdities of silver flagpoles on the table, elaborate toasts and doomy marine paintings with five-inch-tall gift frames can be forgiven when you know that the red-faced old buffer in mess dress next to you is just back from a single-handed trip to Greenland.

The intimidating cut-glass

accents of your other neighbour are curiously softened when you realise that he is

offering you an unknown new member, the loan of all his west-of-Ireland charts for next season. Get a few bottles of the club claret inside you, and even the marine paintings in the bar look all right.

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ODYSSEUS CRUISING

Lucia van der Post tightens her belt in search of...

Cost-conscious chic for the needy '90s

THERE IS nothing new about hard times. Seven fat years followed by seven lean ones is the ancient pattern and, after all, we need the hard times to define the good times. Of course, compared with most of the world, few of us are really poor. The trouble is that many of us are less rich than we were — and in our spoiled Western way that makes us feel poor. But the proper response, it seems to me, is a sense of proportion as well as verve, enterprise and initiative. It means using your brains instead of your purse. It means taking more care

and trouble about everything from the meals you cook to the clothes you buy. It means recycling whenever you can, which needn't be dreary as it sounds — repainting a battered chest and turning it into a desirable acquisition can be fun as well as hard work. So this week's page is dedicated to providing some inspiration for all those who, no matter what their income, feel that spending wildly is not only out of fashion but in very poor taste, who feel that it's perfectly possible to have just as much fun while spending a great deal less.

How to dress better on less

THE FIRST and best advice I can offer on this front is — be thin. If you are a neat size 10 then everything from a pair of M & S leggings to an Azzedine Alaïa looks smashing, while the minute you get over a size 14 you need artful cutting to disguise the bulges — and that never comes cheap.

The next best thought I offer is that most of us have far too many clothes anyway. Speaking for myself, I can hardly close my cupboard doors. Next time you feel you haven't a thing to wear you could try refashioning the clothes you already have or putting them together in different combinations. I know this won't do much for the rag-trade's bottom lines but it might do a lot for yours.

You must also develop an eye for a bargain — in every chain store, buried among the dress, there lurks a version of the current fashionable look — whether it be leggings, parkas, sequinned jackets — that costs a fraction of its designer-label cousins.

Keep an eye on Miss Selfridge, Hennes, River Island (I am currently wearing a River Island fake fur coat featured on these pages last year and have lost count of the times I have been asked by fashionable friends where they could find one like it) and, of course, Marks & Spencer, in particular the Marble Arch branch in London.

Those with an "eye" (but DON'T risk it if you know that's not your strong point) can, of course, rummage through the jumble sales and the charity shops. And you can always update chain-store jackets with better buttons or raid

the boys' department for things like classic leather loafers or simple cotton shirts.

However, there comes a time when, no matter how skinny you are, leggings and a sloppy Joe won't do and you need a little designer cachet. Though London lags way behind cities like Paris and New York when it comes to cut-price designer label outlets there are now a few places worth keeping an eye on.

When designer fashion comes cheaper it is usually because it is current-season wear that hasn't sold (which may be for good reason, so don't ever buy it just because it's cheaper) or it was over-produced. It may also be cheaper because it is second-hand. Keep an eye open for advertisements for what has become a regular on the London fashion calendar, The Designer Sale — a peripatetic event for which you need an invitation (often advertised in the press) and where many a stylish woman regularly tops up her wardrobe.

Labels for Less: 18 South Molton Street, London W1. Houses a permanent collection of designer wear that hasn't sold or was over-ordered, all for sale at a fraction of the original prices. Big names like Donna Karan, Gaultier, Gigi, Jean Muir, Comme des Garçons. For men as well as women.

Designer Sale Studio: 241 King's Road, London SW3. Womenswear only. All the grand designer names — Armani, Montana, Versace, Byblos, Lacoste, Krizia — at very reduced prices. Current bargain: an Armani jacket at £155.

70, 70 Lamb's Conduit Street, London WC1. The place for the chaps to get their designer gear together. Very young, very street-crazed but also lots of functional clothes like duffles, parkas. Good source of cotton suits for casual summer wear.

A Shop Called Sale, The Basement, The Trocadero, Piccadilly Circus, London W1. For the young set — designers like John Richmond and Dexter Wong at very reduced prices.

Sam Walker, 41 Neal Street, London WC2. Second-

hand menswear but of high quality, all beautifully cleaned and newly wrapped. Fine cotton shirts, good suits.

Blax, 8 (for women) and 11 (for men), Sicilian Avenue, London WC1. Invited to the ball and nothing to wear? This is the place to head for — second-hand dinner jackets and tails for men, glam evening wear for women.

Factory shops are found, of course, where there are factories, in other words mainly in our industrial heartland. They are often excellent sources of goods that are either slightly below par, slightly damaged or just a little bit out-of-date. In them you can find everything from lengths of fabric and lambswool sweaters to crystal and glass, bicycles and carpets.

Gillian Cutress of 34, Park Hill, London SW4 (071-622-3722) publishes guides to the factory shops, giving opening times, detailed maps and parking instructions, as well as information as to what exactly you can buy where.

So far there are eight guides

(Scotland and the south east coming soon) ranging in price from £3 to £4. By mail from Gillian Cutress and also from W H Smith and bookshops in the Midlands and Northern England.

The General Goods Exchange, 64 Notting Hill Gate, London W11 is worth knowing about both as a place to sell your own cast-off garments and household goods as well as a place to buy those of other people.

Everything from jeans to a designer label frock (though much, much more of the former) on the clothes front but also second-hand hi-fi, bicycles, kitchen and household wares, CDs, singles, cassettes.

Markets. Remember that canny New Yorkers never pay retail. So don't patronise expensive shops if you can get it at a market — whether you want a houseplant, a tray of apples, a chair to sit on or a piece of jewellery you can usually find it cheaper in a market.

A Shop Called Sale, The Basement, The Trocadero, Piccadilly Circus, London W1. For the young set — designers like John Richmond and Dexter Wong at very reduced prices.

Sam Walker, 41 Neal Street, London WC2. Second-



Top: masses of inexpensive fabric. French mattress ticking at £8 per metre from Clarendon, 12 Kingly Street, London W1 has been used to dramatic effect on walls and ceilings. The same fabric was used to drape over a pole — in total some 19 metres was used. Above: if you have to use units you don't need to spend a fortune. Here Magnet units, hand-painted, have been livened up with patchwork quilt cloth, a few antique kitchen artefacts, some vases and the natural decorative qualities of fruit and vegetables. Right: a look for the 90s puritanical, Shaker-style, no excess anywhere. Simple country furniture, rush matting, rustic walls. The chair is £110, the ready-painted table, £420, the lantern £30 and the two primitive paintings, £400. All from Jameson Design Limited, 29 Elystan Street.

ing much, much less.

Their own kitchen, which really looks lovely, is made using MFI cabinets, beautifully dragged in a soft blue, and a Texas Homecare plain white basin. It is given life and interest with their own pictures and artefacts. The Jameson plan for a stylish kitchen that doesn't cost the earth is:

1. Buy mass-produced cabinets from a reliable manufacturer like MFI or Magnet. Don't worry that the cabinets are made of chipboard — so are the cabinets of many so-called designer ranges. What is important is that the drawers are made of wood and bobb MFI and Magnet have ranges with wooden drawers.

2. Use wooden worktops — painted for hardness or buy worktops from Magnet.

3. Paint ordinary wooden floors for a good country look. Sand them down first. Paint several layers and then several layers of polyurethane finish.

4. Store as much as possible in free-standing furniture. If you can run to antiques — and, after all, you can take those with you, unlike the units — an antique Georgian dresser would cost £4,000 but a beautiful early 19th century French armoire at the Marché aux Puces will cost only a little

over £1,000.

5. Splash out on first-class brass taps (Peter Jones is excellent) but use a Texas Homecare round white basin (from £19.99) or a deep old-fashioned square white sink from Armitage Shanks (from £89.99).

6. Store as much as possible in free-standing furniture. If you can run to antiques — and, after all, you can take those with you, unlike the units — an antique Georgian dresser would cost £4,000 but a beautiful early 19th century French armoire at the Marché aux Puces will cost only a little

over £1,000.

7. Splash out on wonderful accessories (again, these go with you wherever you go) — a huge old wooden bowl for fruit or vegetables, old watering cans, spongeware. Use lots! It's generosity of feeling that makes a handsome collection.

8. Don't use matching furniture — you can use any table and keep it covered with a cloth and team it with old chairs.

Other decorating tips from the Jamesons. Curtains: Never

be mean with fabric; it is much better to have yards and yards of gingham than skimpy Colefax & Fowler. Peter Jones always has an excellent range of inexpensive Indian cottons and other sources of cheap fabrics.

what you can do with a staple gun. Fabric can be stapled to walls and the staples covered with zip rope bought inexpensively from Merchant Chandlers. Tricia Jameson looks in her conservatory a new look in a day using a staple gun and 50 metres of Palu & Lake fabric bought at £2 per metre in a sale.

Remember that even the most unpromising old chest or table can be given new life by rubbing it down with wire wool and repainting or stenciling it. When it comes to shabby chairs and sofas that don't have to go in for expensive reupholstery: fitting a shawl, blanket or "throw" over it instead.

Buyers & Sellers, 120/122 Bayswater Road, London W10. Here you can get cut-price fridges and freezers, vacuum cleaners and microwaves. All work perfectly but may have some minor, often almost indetectable blemish. Delivery can be arranged.

A Barn Full of Old Sofas and Chairs, Furnace Mill, Lamberhurst, Kent TN3 6LH. Open Tuesdays to Saturdays. Wonderful source of second-hand beds, sofas and chairs. Will recover and reupholster.

P.N. Jones Trading, Silk Merchant, 18 Holly Grove, London SE15. Marvelous source of inexpensive fabrics from India. Cheesecloth from £2.75 a yard, cotton, light-weight, plain and Madras checks, £3.25 for pieces and £3.50 a metre for short lengths; dupion silk, £9.00 a metre for pieces, £10 for short lengths.

lovely thick cotton rep, fine for upholsters, £5.75 a metre. Clarendon, 12 Kingly Street, London W1 has lots of good cottons at good prices.

Corcoran & May, 161 Lower Richmond Road, London SW15 offers designer fabric "seconds" at less than half price.

Ian Mankin, 109 Regents Park Road, NW1. 80% sells old-fashioned fabrics like ticking, good cottons, muslins and the like. Not as cheap as when he first started, he nonetheless does run a good cuttings and mail order service.

Material World, 256 Wimbleton Park Road, London SW19, 290 Battersea Park Road, London SW11 and 59 New Kings Road, London SW6, as well as branches in Bath, Newbury, Tonbridge Wells, Glasgow, Edinburgh, Bury St Edmunds, Gibraltar and Brussels. Changing stock of furnishing fabrics by names like Baker, Warner, Sanderson and the like, at either £7.95 or £8.95 per metre (normal prices usually from £15 to well over £30). Can organise a making-up service.

Variety Silk House, 152 Ealing Road, Wembley, London. THE place for saris — swathe them lavishly round the pole instead of curtains. Saris are already there so they need no hemming. Sew several together if necessary.

The Reject Shop, 234 King's Road, London SW3 and 245-249 Brompton Road, London SW1. The name lingers on but little these days is strictly reject — prices are low because of bulk buying, sourcing abroad and selling ends of lines.

Spoils, 157 Munster Road, London SW6. End-of-line fabrics from many of the top names, chintzes as well as plain cottons.

Art of Peckham Rye, 11-22 Peckham Rye, London SE15. Legendary provider of inexpensive second-hand furniture to the newly-married, the second-home brigade. I've never found much there myself but everybody else I know has so it is always worth a trawl.

An excellent book for Londoners who would spend less is Lindsey Bareham's *Paupers*, London, £4.99, published by Pan.

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Sales assistant Laura Topper at Labels for Less, South Molton Street, London W1 with Moschino evening dress reduced from £510 to £275

BOOKS

Survival in the shadow of the tyrant

Anthony Curtis on the author of 'The White Guard'

AS TODAY we watch the falling apart of the Soviet Union, it is illuminating to turn to the work of Mikhail Bulgakov (1891-1940), a writer who lived through the Bolshevik takeover in one key area, the Ukraine and its main city, Kiev.

A confused sequence of events in the Ukraine came to a climax in 1918. The bloody and decisive battle for Kiev raged between December 1918 and February 1919. The city was then nominally under the power of a Hetman or Cossack ruler. The Russian Volunteer Army - or White Guard (who may be thought of as somewhat analogous to the Raj at the time of the Mutiny) - had mobilised itself to try to prop up the Hetman administration. It aimed to keep out not just the Bolsheviks, but more immediately the Ukrainian Republicans, who had been aided by German forces eager to exploit the turmoil. There was also a sizeable Jewish population which stood to suffer whoever ultimately won control. The chain of command within the city was extremely weak as the attackers advanced.

Bulgakov recorded these momentous events as they affected one Russian family in his great novel *The White Guard*. He belonged to a Kiev-based clan of able professional people, lawyers, academics and doctors; medicine was his own first profession. The Bulgakovs occupied a house in the centre of Kiev close to where much of the fighting occurred. It became an apartment block in the novel, the eye of the storm, through which the reader experiences the Revolution. A reading of the novel today helps one to understand in human and historical terms why the Ukraine is so determined to regain its independence.

Bulgakov had worked in the White army as part of an ambulance unit during some of the bloodiest fighting. Afterwards he practised as a country doctor in the Caucasus and became a specialist in venereal disease, before he decided to abandon medicine for literature. That was in 1921, as Lesley Milne reveals in this scholarly study of Bulgakov's fascinating career.

Bulgakov's early writings took the form of journalism but he soon came to detest the life of a *feuilletonist* or regular contributor to literary magazines. Like that other great Russian doctor turned creative writer, Chekhov, Bulgakov's imagination soared above the clinical and teemed with plans for stories, plays and novels. There are some similarities between the two careers, but also crucial differences, the main one being that Bulgakov's work was all written

(though by no means all published and performed) under Stalin.

One of the characters in the play he made out of *The White Guard* - seen in London first in 1937 with Michael Redgrave and later performed by the RSC at the Aldwych Theatre in May 1978 - carries the complaint with him. There is a distinctly Chekhovian flavour about the whole piece, which was presented at the Moscow Arts Theatre whose chief director was Stanislavsky. Bulgakov later gave a satirical account of the famous Stanislavsky Method in his novel, *Black Snow*.

Perhaps the salient theme to



Mikhail Bulgakov in 1926: a giant of post-modernism

Mikhail Bulgakov: A CRITICAL BIOGRAPHY
by Lesley Milne
Cambridge £35, 324 pages

be extracted from Lesley Milne's book is that of artistic survival against impossible odds. It shows how an artist of sterling integrity was somehow able to continue to work and to develop his great gift under constant blows from the tyrant's knot - creative and financial constraints, bureaucratic supervisions and prohibitions, recommendations to re-write his material to make it more acceptable, procrastinations and sudden arbitrary withdrawals of his plays from the repertoire.

One way of trying to bypass the vigilance of the censorship committee was by developing a mode of writing known as Aesopism - the story-teller became a fabulist in which the deeper, more urgently topical

meaning of his tale lay concealed beneath its surface. Bulgakov's Aesopian masterpiece is the novella *Heart of a Dog* (available in Picador Classics at £4.99) in which a fastidious, opera-loving Moscow surgeon of the old school performs a brain and gland-transplant upon a stray mongrel, turning him into a rabid *apparatchik* determined to purge the city of cats. The period is the 1920s, the time of the New Economic Policy and the first great housing shortages, but the work transcends its period and may be compared with the beast fables of Orwell and Swift.

Bulgakov's two major novels are *The White Guard*, which does for Kiev what *Ulysses* did for Dublin, and his final work, *The Master and Margarita* - a multi-layered novel which shuttles from contemporary Moscow to Jerusalem at the time of Christ, and which was not published until 1966-7, a quarter of a century after Bulgakov's death.

In his lifetime he made several direct appeals to leave the Soviet Union in the form of letters to Stalin. One of these was answered - as in the case of Pasternak - by a cryptic telephone call from the dictator himself which for a time changed Bulgakov's life. Stalin liked *The White Guard* and gave his guarded approval of the dramatic version on the rather specious grounds that it demonstrated the over-riding power of the Bolsheviks. Bulgakov also wrote plays on such themes as the psychology of exiles who returned to Russia after the Revolution and about literary heroes like Pushkin, Molire and Don Quixote. For a while in the late 1920s he was prosperous and famous, but his time of glory in Moscow did not last for long. The official censors and party hacks saw to that.

Lesley Milne is a lecturer in the Department of Slavonic Studies at the University of Nottingham and in this intelligent, textually-oriented book she is not really writing for the general reader. We learn little of Bulgakov's three wives but a great deal about the various redactions (revised versions) of *The White Guard* and the projected sequels to it. Milne has been studying this author for a long time. As far back as 1979 she wrote the introduction to the translation by Michael Glenny of the version of *The White Guard* performed by the RSC. This showed that Milne is also capable of writing about Bulgakov in a form that is readily accessible. Without in any way wishing to belittle the present work, I feel we need to have a less academic biography of a writer who is not only a delight to read but who is without doubt one of the giants of post-modernism.



THE FIRST printing of *Alice* was a disaster. The Clarendon Press had an off-day and made a hash of text and drawings. Tenniel was furious and Macmillan suppressed the printing, though Dodgson took some copies and gave a specially bound one to Alice Liddell on July 4 1865, the third anniversary of the punting picnic when he first told the story. In 1866 the regular first edition came out, printed by Richard Clay. The picture shows an original 1865 Tenniel pencil drawing.

A set of 120 of these prints are worth £12500 or more. The most important is Macmillan's first copy, with Dodgson's corrections and ten original Tenniel drawings bound in. Justin G. Schiller has identified it and owns it. It survived in Macmillan's till 1899 when Louis Samuel Montagu bought it for his infant son, who sold it for £2000 in 1926. Then it went to bibliophiles.

In a delightful volume Schiller describes the 1865 printing and catalogues and illustrates the extant original drawings of *Alice* and *Through the Looking-Glass*. Particularly enjoyable are the accounts by Wynne H. Goodacre of the later history of the 23 known copies of the 1865 printing. One was found in a bag of old books in South London, another bought for 2 rupees in Bangalore in 1950. The late Duke of Gloucester bought one at Sotheby's for £1200 in 1947, with Maggs bidding for him, but in 1952 he returned it to Maggs. (Why?) *Alice's Adventures in Wonderland: an 1865 printing* (117 pages, \$75/£45) is obtainable from Battledore Ltd, PO Box 2268, Kingston, NY 12401 USA.

Gerald Cadogan

A columnist in the confessional

J.D.F. Jones discovers the truth about the real Peter Simple

HERE IS the second instalment of one of the finest - and last - Fleet Street autobiographies. Michael Wharton wrote the "Peter Simple" column in the *Daily Telegraph* for no fewer than 30 years. Unlike certain of his colleagues he never became a public figure, and it becomes immediately clear from these pages why he could not have aspired to the part, even when his column became one of the most distinctive and successful features in the trade. His first volume was called *The Missing Will. A Dubious Codicil* takes up the tale in 1957.

Telegraph readers should perhaps be warned that they are in for a shock. They might assume that the journalists of that paper would be among the

more respectable and decorous inhabitants of the "Street of Shame". Far from it. As the rest of Fleet Street has always known, the *Telegraph* men used to be - have they changed now that they are marooned on the Isle of Dogs? - the wildest, the drunkest, the most disreputable and eccentric of all of us. Wharton, whose photograph on the jacket makes him look like a vicar on vacation, was of the inner sanctum in the *Kings and Queens*.

There have been plenty of self-regarding memoirs from Editors and Very Important Journalists, full of hints of ministerial indiscretion and what the P.M. said over lunch - there were several last year - but be reassured that this is a very different kettle of fish.

I write as a non-admirer of

"Peter Simple", except to grant that it has made a contribution to the English language. I am tempted to say that when Wharton gets going on certain pet topics (such as TV, Rhodesia or black skins) he deserves to be taken back to his mental asylum. But the insight with which he describes how he invented himself-as-columnist is fascinating.

"Those were the days..." he writes, not-antitypically, "when the last remnants of the British Empire in Africa were liquidated and replaced by pseudostates under 'black majority rule'; and, by a strange process of reversal, when the first batches of immigrants were arriving in England. Those were the days also when television began to take a hold on minds and habits, stealthily

growing from an ingenious toy into one of the greatest influences - and certainly the most evil - in the life of England. Bogus art and every sort of impudent imposture began to flourish as never before. Such was the rich and abundant material 'Peter Simple' had to work on. Like Juvenal who had written in the decadence of Imperial Rome, I found it impossible not to write satire. The difficulty was to find a way to do it: a column with fictitious characters epitomising various types of detestable humbug seemed the best way...

No wonder they tried to take him to the Isle of Dogs. But he knew that after 30 years it would be better to go down with the Street, and that is where, in 1987, he leaves us.

Lewis: loss of a true writer



Alun Lewis: a Welshman both poetic and succinct

ALUN LEWIS: COLLECTED STORIES
edited by Cary Archard
Seven Books £14.95, 367 pages

wellos accuracy and brevity scenes over which a lesser writer might have laboured at length. A Welsh Lawrence is rather a dreadful thought, and the war certainly put paid to any such prospect, galvanising his nervous energy - as it did with Keith Douglas. The comparison comes naturally: two young and gifted men determined not to miss a single thing in the intensity of the moment. At hand were "enlargements of the imagination", to use a phrase from one of his stories.

Obviously a capable man, Lewis was soon commissioned in the Royal Engineers. What affected him was the immediate transformation of the civilian into the soldier, "of the Welsh provincial into someone caught by the sweep of the world's passion and fury. The miseries of parting became his subject; love affairs suddenly interrupted or turning unsatisfactory, transience, and sudden confidence or affection between strangers. At that time, in 1940, he had himself just married, and a number of his characters find themselves becoming parents, willingly or unwillingly. Worry about the home front was brilliantly caught. He is a master of the frightening journey, when the

The other half of the Apennines

ANYONE WHO has read Eric Newby's marvellous personal account of *Love and War in the Apennines* will enjoy this book. It is the other side of the story, as told by the woman he fell in love with while he was hiding in the Germans in Italy during the last war.

But Wanda Newby's memoirs of her childhood and the war years in Italy are more than just a complement to her husband's story. In a straightforward and unpretentious style, they capture the mood of day-to-day life in a Slovenian village above Trieste and then in another village in the flat plains of the Po near Parma.

Wanda Newby was born the year Mussolini came to power. Throughout the book there is the menacing, uncomfortable presence of Italian Fascism and the Duce. Although everyday life somehow seemed to go on in that all-Italian way of the long lazy summers, the afternoon walks in the town centre, the warmth of the kitchens, the religious holidays and their gargantuan meals, Fascism deeply affected the life of Wanda Newby and her family.

Her father was a Slovenian village schoolmaster and was deported with his family to the village of Fontanellate near Parma by the Fascist regime. Her brother, before that, emigrated to Argentina.

Ordinary people of anti-Fascist sympathies showed extraordinary courage in the simplest of ways in Italy.

Wanda Newby's account is another example of how a very large number of anonymous and ordinary Italians coped with and challenged the Fascist regime and the German occupation.

Her book reflects the same spirit of those memorable black and white Italian films about the war, Mussolini and the German occupation. These

films always managed to combine laughter and tears, the absurdity of the Fascist leaders and the courage often driven by fear of the ordinary decent citizen.

In Wanda Newby's story the cast includes a local anti-Fascist doctor, a remarkable nun called Sister Eusebia who outwitted the guards to enable Eric Newby to escape from hospital into the mountains, the mother of her wealthy friend Valeria who prepared roast chickens and other treats to feed the British soldiers and their Italian hosts.

But Wanda Newby admits that she also fell briefly under the spell of Mussolini. In September 1938, when she was sixteen, she went back to her native Slovenia to see family and friends, but also to see Mussolini, who was going to Trieste on an official visit. Her father told her he did not object to her seeing Mussolini but would be very upset if she applauded or cheered the Duce.

However, Mussolini had a wholly unexpected effect on Wanda. "I found his personality irresistibly magnetic and at the end of his speech I joined the rest of the huge crowd in tumultuous cheering. It was an experience I will never forget, and one of which, when I returned home, I felt deeply ashamed. I never told my parents".

Paul Betts

An inward hooligan

Geoffrey Moore on Edward Blishen's reminiscences

EDWARD BISHEN: author

of *The Penny World*
by Edward Blishen
Sinclair-Stevenson £14.95, 253 pages

even been known to happen a lot earlier. However, it is a fatal mistake to imagine that these reminiscences will be equally delicious to the reader.

A certain order and selection becomes necessary if the book is not to disintegrate. Blishen ignores order and selection, throws up his hands, labels his memories "dreams" and shrugs the whole thing off as "inward hooliganism".

However, there is a more important caveat which applies not only to *The Penny World* but also to almost everything that Blishen writes. We have all had experiences in our lives which are important but which we would just as well forget.

The serious writer meets such experiences head on and transforms them through fiction or autobiography. Blishen's technique is to turn everything into entertainment. Without being quite as frothy as, say, the late author of *The Moon's a Balloon*, his light and amusing touch gives the reader delight but not satisfaction. It is a pity because his response to the human condition is sensitive and extremely interesting. Perhaps in his next book (for there must surely be another) he will dare to be a Daniel rather than an Edward and boldly go into the lion's den.

dhuri. The basis of the book is a visit to India - in company with a motley collection of other travellers - to celebrate the forty years of the author's marriage to "Kate". The Indian part is dealt with in an engaging and amusing manner.

The Penny World is entertaining and intelligent; yet there is something wrong. We know that when a person is nearing 70 events float into the mind which have a delicious relevance for the floater; it has

been known to happen a lot earlier.

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Fiction

Public disaster and private triumph

PARNELL AND THE ENGLISHWOMAN
by Hugh Leonard

Andre Deutsch £12.99, 265 pages

TIBERIUS
by Allan Massie

Hodder & Stoughton £13.95, 256 pages

COMING IN WITH THE TIDE
by P H Newby

TELEVISION

SATURDAY

BBC1

7.00 Crystal Tiptoe And Allstar. 7.05 Janosch's Story Time. 7.25 Bass. 7.28 Eggs 'N' Bacon. 8.35 Breakfast. 8.40 Going Live! 12.12 Weather.

12.15 Grandstand. With Desmond Lynam. 12.20 Football 12.45 Racing From Haydock Park 12.55 Football. 1.05 News 1.15 Racing From Haydock Park 1.25 Siding 1.45 Racing From Haydock Park 1.55 Ice Hockey. Cardiff Devils v Murrayfield Racers 2.55 Cyclo-Cross 3.50 Football 4.00 Cricket: Day In The Thin Red Line 4.40 Final Score. (Timings subject to change).

5.05 News. National Weather.

5.15 Regional News And Sport.

5.20 The Flying Doctors. Emma and Sam face a fight to keep their property. Chris and Geoff are drawn into a family conflict when two brothers deny knowing each other. And Paula sets her sights on Geoff to help her out of her homelessness.

6.05 Challenge. Amélie. Amélie Rice tackles the renovation of a Methodist chapel in Telford to provide a short-term accommodation for homeless youngsters.

6.35 All At Once! Return of the comedy show. Gordon Kaye and Catherine Silver. Newcomer Penny Lecat is sent to jail by the Germans for flying around in a bed attached to a balloon.

7.25 The Paul Daniels Magic Show. (New Series) Illusions from Paul and his guests the acrobatic Ashtons family from Las Vegas, for whom he arranges an unexpected reunion, and two members of Canada's Cirque du Soleil.

8.10 Bergerac. (New Series) Something to Hide. Starring John Nettles as Jersey detective Jim Bergerac. Jim is lured to a fashion show in Aix-en-Provence by Danièle's cousin, a talented designer who is subsequently found murdered.

8.05 News And Sport. Weather.

9.25 Midnight Caller. (New Series) A Switch In Time Part 1. Gary Cole stars as the cop turned late-night radio chatshow host Jack Killian, fighting crime from his studio.

10.15 Match Of The Day.

11.25 Film: Electra Glide In Black (1972). With Mitchell Ryan. Produced and directed by James William Guercio.

BBC2

8.00 Open University. 10.05 Romeo's Egypt. 11.25 Made By Man. 11.30 The Honeymoons. 12.15 Film: Mr. Blaundell Builds His Dream. 1.45 Animation Now. 1.55 Under The Sun. 2.45 Mahabharat. 3.25 Animation Now.

3.35 Film: The Pride And The Passion (1957). Starring Cary Grant, Frank Sinatra and Sophia Loren. A British army captain rescues a huge Spanish cannon before it falls into Napoleon's hands, but a Spanish guerrilla leader insists on dragging the gun across country to attack the French garrison at Aix-en-Provence during which the Spanish rebels acquire a life of its own.

5.45 Prepare For Crash Landing. The findings of an investigation into the injuries sustained by passengers aboard the British Midland jet which crashed on the M1 in Leicestershire two years ago indicate that radical but simple changes could reduce injuries in air crashes and save lives.

6.15 Darts. Tony Gubba. Introduces highlights from this afternoon's three first-round matches in the English World Professional Championship.

7.15 Newsview. Weather.

8.00 Something Rich And Strange. A profile of the composer Iannis Xenakis. Orchestral music by this modern Renaissance man is played by the Orchestre de Paris, and Roger Woodward tackles one of his piano pieces. (Eden)

9.00 A Life In Pictures. Peter Cook, alias Sir Arthur Street-Greening, chooses his 12 Christmas gifts.

9.05 Oranges Are Not The Only Fruit. Jeanette Winterson's dramatisation, starring Geraldine McEwan and Kenneth Cranham. Set in Lancashire during the 60s and 70s, the story is about a 17-year-old girl who is attracted to an obsessive Pentecostalist for the sole purpose of bringing her up as a missionary.

10.00 Film: Apocalypse Now (1979). Starring Marlon Brando, Robert Duvall and Martin Sheen. Francis Ford Coppola's remarkable film, combining war and Conrad and Vietnam, is the story of a US Army captain's odyssey through Cambodia on a seek and destroy mission against a renegade colonel who has established his own empire in the jungle.

12.25 Darts. The World Professional Championship.

SUNDAY

BBC1

6.30 Cofax-Pages. 8.15 All God's Children. 8.30 This Is The Day. 10.00 A Voulez Le French. French for beginners. 10.25 Expenses Vivo. An Introduction to Spanish.

10.50 Step Up To Wordpower. A series for adults who have difficulty with reading and writing skills.

11.15 A Certain Age. Magazine for the over-50s.

12.05 See Heard Magazine for the deaf and hard-of-hearing. With sign-language and subtitles (postponed from 30 December).

12.30 Country File. John Craven travels to the Outer Hebrides. Including at 12.55 Weather.

1.00 News: On The Record. Jonathan Dimbleby tackles current issues with top political figures.

2.00 Eastenders.

3.00 Match Of The Day: Live coverage of Crystal Palace v Nottingham Forest in the FA Cup semi-final.

5.00 The Big Picture. A report on Trinidad and Tobago's first fashion week, with Carolyn Franklin visiting Colour Me Caribbean, three days of fashion staged in Port of Spain.

5.20 Antiques Roadshow.

6.15 Old Talk Feelings. (New Series) The first programme looks at sex-life through the eyes of Pat, who explains how he reacted when his girlfriend had an affair with another man.

6.20 News: Weather.

6.40 Songs Of Praise.

7.15 Only Fools And Horses. Comedy starring David Jason and Nicholas Lyndhurst.

8.04 Lovejoy. (New Series) Ian McShane returns to the tough-diamonds of the 19th century. Emerging from prison after being convicted of dealing in stolen goods.

9.00 See For Yourself. Chairman of the BBC Board of Governors Marmaduke Hussey, introduces the Corporation's annual report to the licence-fee payers.

10.50 Everyman: A Brief History of Hell. The western world's preoccupation with hell down the ages is explored with the help of art and literature and contributors including George Steiner and Bishop Richard Holloway.

11.30 News: Up To Ales.

12.00 Mahabharat. After accepting from Venkatesh, the Pandavas decide against returning to Hastinapur. (Subtitled) 12.40 Weather.

12.15 Darts.

BBC2

7.30 Children's BBC Two. 7.25 Playdays. 7.30 Is That A Fact? 8.10 Inside Sport. 8.30 Monsters.

8.30 Defenders Of The Earth. 8.35 Blue Peter. 8.45 The Climbunks. 10.45 The Watch House. 11.10 Bopstop. 12.30 The O-Zone. 12.45 The Charlie Brown And Snoopy Show. 12.50 Cricket. (Part 1) 1.00 Darts. 2.15 There Is Music In The Air.

3.00 Film: Silent Running (1972). Science fiction classic directed by Douglas Trumbull.

4.30 Cruft's 91. The World Of Dogs. Preview of this year's show in Birmingham.

5.00 Rugby Special. Including Scotland's final trial at Murrayfield before the Five Nations' Championships.

6.00 A Sunday, introduced by David Vines. Featuring the downhills competition from Garmisch-Partenkirchen.

6.35 The Money Programme. Gordon Brewer reports on Japan's motor car market where Nissan has set the pace in production-line technology and marketing.

7.15 The Natural World. Running for Their Lives. Award-winning wildlife film-maker Hugh Miles provides a fresh view of the social lives of African wild dogs and their struggle for survival.

8.05 Broadcast Australia. Between Sir Don Bradman's ashes back on his cricketing career with Jack Egan.

8.55 Life In Pictures. Sir Arthur Street-Greening (Peter Cook) chooses the last of his twelve Christmas gifts with Ludovic Kennedy.

9.00 Oranges Are Not The Only Fruit. Starring Geraldine McEwan, Kenneth Cranham and Charlotte Coleman as Jess in part 2 of Jeanette Winterson's best-selling story. Jess falls in love with the actress Marlene in the market they fall in love instantly. But when her mother and Pastor Finch discover their intimacy, they demand the girls renounce their passion and turn their backs on Satan! (Part 3 tomorrow at 9.00pm).

10.00 Film: 42nd Charing Cross Road (1988). Anna Boden stars as the American who makes her first trip to England in 1969 after 21 years of contact by letter with Frank Doel and his staff. With Anthony Hopkins and Judi Dench. Directed by David Jones.

12.25 Darts.

LWT

8.00 TV-Am. 8.25 Motormouth. 11.30 The ITV Chart Show. 12.30 Saint & Graveline. 1.00 ITN News. National Weather.

1.10 Grand Sportsmasters. Dickie Davies introduces the best players from the past series of the quiz as they start their bid to become Grand Sportsmaster.

1.40 World Sport. Classic moments of sporting history from around the world.

2.10 Tenterden West Highland Yachting Week. A look at one of the major events on the Scottish yachting calendar.

3.05 Snooker. The Mercantile Credit Classic. First of four visits to this £300,000 ranking tournament at the Leisure Centre, Bournemouth. 4.45 Results Service.

5.00 ITN News. National Weather.

5.05 Live News. LWT Weather.

5.15 Coronation Street.

5.25 Catchphrase Celebrity Special. Special charity edition of the hit-tv quiz hosted by Roy Walker.

5.55 Beverly Hills 90210. Special feature-length episode which introduces a new series about one of the wealthiest communities in the world. Beverly Hills, California.

6.00 Film: Love Story (1944). Romantic melodrama starring Margaret Lockwood as a pianist and composer who learns that she is dying, and falls in love with former RAF flyer, Stewart Granger, who is going blind. (B/W)

6.30 Brookside. The Dixons throw a New Year's Eve party. Rod's cover is suddenly blown, and Mike's plans for revenge backfire.

6.30 News Summary And Weather.

Followed by Opera On 4: The Ring (Der Ring Des Nibelungen). 7.00 Coronation Street. 7.45 Film: Siegfried. 8.00 Coronation Street.

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FOR A senior post in the University of Life, academic distinctions might even be considered a disqualification. At any rate, Satish Kumar, director of Schumacher College which opens its doors on January 13 has none.

For the sort of college he is to run, however, the *curriculum vitae* looks just fine. At nine he became a bald-headed, mendicant monk of the ascetic Jain religion. He walked barefoot through the villages of Rajasthan in north-west India with a painted wooden begging bowl, "taking" food from each house like a "honeybee" learning 10,000 verses of Sanskrit scripture.

At 18 he left his peripatetic monastery to work with the poor observing Gandhian precepts for the non-violent transformation of society, the Buddhist equivalent of liberation theology. For example, he helped "collect" 3m acres of land from the rich to give to the poor.

Then he read of Bertrand Russell's arrest on an anti-nuclear demonstration in Trafalgar Square.

"I said to myself: 'Russell is acting like Gandhi!' At the age of 90 he'd rather go to jail than accept nuclear weapons. Here is an old man with the courage of his convictions. I am a young man. What am I doing?" So he set out, with his friend Prabhakar Menon, on a world peace walk: from Mahatma Gandhi's grave in Delhi by way of Moscow, London and New York to Washington and the grave of John F. Kennedy 8,000 miles, on a vegetarian diet, carrying no money.

On the Pakistan a man welcomed them with marigolds. "He was in tears and I was as well. I said to Menon: 'From this day I am not an Indian. Because if I am an Indian, he is a Pakistani. Today I am not a Hindu because you would be a Muslim. I am not a capitalist because you will be a socialist, not black because you are white. Today we are just human beings.'

This is the kind of idealistic, whole-earth message that the college, which describes itself as "an international centre for studies informed by ecological and spiritual values", will convey to its (largely adult and middle-class) students.

The college is sponsored by the Dartington Hall Trust in Devon, south-west England, on the estate where in 1925 Leonard and Dorothy Elmhirst created an educational and artistic centre (and a progressive school that collapsed in scandal based on the teachings of Gandhi's own mentor, Rabindranath Tagore).

I sought out Satish (the only name he uses) to enlighten me on the metaphysics of the movement whose adherents have claimed the 90s as their decade. After he had collected me from the station in his 1967 Morris Minor and shown me round, I asked him what he had learned on his world walk.

"I learned more or less what the astronauts learned by going into space. They looked at the earth and they did not see any divisions. They saw one earth, blue, brown, purple, like a painting. All the divisions are skin deep, all that diversity has a tremendous unity underneath it. I was in tears many many times.

"It gave me a sense of proportion: I could walk it in two years, so it's not that big a place. And you can survive without money so it's not that hateful a place."

When Satish finally met Bertrand Russell for tea in west Wales, they disagreed. Russell said the world might be coming to a hideous end — that was the fear that was driving him — and there was no time to be wasted walking round it. "I told him action must be the right action and fear is not the right motivation. Whether the world survives or not is not in our hands. Even in ecological matters it is not the right motivation because when driven by fear

Private View

A green spirit from the university of life

Satish Kumar, director of Schumacher College, tells Christian Tyler about its ecological and spiritual values



the other way round like machines. But at the moment market forces seem to control human values and human beings. If our relationship with ecology is wrong, then the market will collapse. You cannot put a value on rivers and oceans or the Himalaya.

"We require a deep shift of attitudes. What is the aim of society is it to be rich, to acquire goods, or is it to serve and be happy and have relationships with friends and neighbours and so on?"

That sounds like good, old-fashioned Christianity.

... and good old-fashioned Hinduism and good old-fashioned Hinduism.

So you are still a monk at heart?

"But a more worldly monk."

Do you mean a new religion?

"I am talking about spirituality, because religion gives you the idea of system, whereas spirituality is more about values. But, yes, I am talking about a green religion, an ecological religion."

Are you trying to create apostles for this religion?

"Yes, we are trying to create them. They will come from all over the world. We need to take inspiration from many old religious traditions: Islam, Buddhist, Christian, American Indian, Bushman, Aborigines and so on."

Will it involve worship?

"Some kind of subtle worship, like meditation, sitting by the river and watching the water flow, sitting under the tree and watching the leaves fall."

You sound like the Maharis, sit in his ashram... this is guru stuff.

No, it isn't. Because I am against any cult, any priesthood.

I asked whether Satish thought traditional religions had failed to supply the spiritual purpose he talked of.

"Yes, utterly failed."

Why?

"Because they have asked people to adhere to their institutions and routine — coming to the church every Sunday and then for six days how you live has very little to do with it. Religion is not as a recipe book but something which stems from your own understanding and questioning."

Are you looking for a substitute for socialism?

"No, nor for any other 'ism', because the moment you put your thinking into an 'ism' it creates its own problems."

I asked Satish to imagine I was a businessman reader of the FT. How would you persuade me that what you are talking about is not just a lot of mystical jargon which makes you feel good and makes your acolytes feel good, but which has got really nothing to do with me or the real world?

He was unashamed. "I would start by saying don't pay too much attention to what I am saying, only use me as a reference point who is helping you to question: are you in your own life and society around you fulfilling your potential? Is your relationship with your fellow human beings right? Is your relationship with your own self right?"

But, I replied, making one last throw, suppose I enjoy making money and I am good at it. The by-product of my labour is to create prosperity for other people, but I am not interested in them. I want to make lots of money, buy a yacht, send my children to Eton, retire at 50 and have floozies to adorn my *pied-a-terre* in the Barbican.

"And what I am asking you is if you would like to give a few hours to see whether that is a sufficient reason for human existence... that's all. If you ask that question seriously, genuinely and sincerely and your answer is 'Yes', I have nothing further to say."

'Prosperity does not equate with lots of goods of shoddy quality'

you will say the end justifies the means."

Satish claims that after a false start in the 80s (the hippies were interested mainly themselves, he says) we are entering a new intellectual age, as important as the Enlightenment but anti-rationalist, anti-materialist and anti-specialist. New ages, he said, required new kinds of universities.

Or perhaps, I suggested, Dartington was just jumping on a bandwagon, and the ecology movement would degenerate into just another

consumerist fashion?

"There is a certain truth in that

and we should be aware of it. Nevertheless, the other side is the genuine concern expressed by ordinary people."

The real ecological problem, I objected, is overpopulation, and the answer was material prosperity — which means smoking chimneys. "Isn't it hopelessly unrealistic to suggest that postindustrial societies should go back and that developing countries should not come forward into the industrial age?"

What place does the market have?

"It has a place so long as it is

under human control rather than

SPORT/SOCCER

In a league of their own

Peter Berlin wonders what the big clubs of Europe are playing at

SOCER'S MASTERS are worried that the game is not exciting enough. One solution to this problem might be to open their committee rooms and board meetings to spectators, because that is where the action is.

The time-hallowed characteristics that have marked the way Europe's great soccer clubs have been run — mindless conservatism and pompous megalomania — have been swept away on a tide of money.

At first, the motley crew of minor entrepreneurs who controlled the clubs is being squeezed out of control of multi-national commerce. Fans all over western Europe are being entertained by boardroom battles, takeover bids, tax-evasion cases, bribery and match-fixing scandals, grandiose expansion plans and multi-million pound transfers. The game has never been wealthier, yet large clubs totter on the verge of bankruptcy.

Strangely, the leaven that has set soccer's growing dough mountain bubbling is the prospect of a single European market at the end of 1992. This has given birth to the idea that somewhere in the streams of directives from the European Commission — among the tomato classifications and kettle specifications — is one that calls for a European soccer super-league.

For a start, top clubs and their owners are starting to jockey for positions in such a league.

In England, Tottenham Hotspur has accumulated debts estimated at £11m through building projects and ill-advised diversification in a desperate attempt to replace Arsenal as London's top club.

Bordeaux, locked in bitter war with Olympique Marseilles, owes £24m. Bordeaux's chairman, Claude Bez, has resigned and faces police charges relating to building contracts. The club is one of 12 involved with French soccer's Monsieur Publicis, Jean-Claude Darmon, who is at the centre of a scandal over illegal payments to players. Separately, Marseilles was being investigated over tax matters. A long, public slanging-match between Bez and Bernard Tapie, the Marseilles owner, has exposed allegations of referees bribed with prostitutes and money, of telephone taps

and attempted match-fixing.

Jesus Gil, president of Atletico Madrid, the third biggest club in Spain but only No 2 in Madrid, threatened to pull his club out of the league in protest at "systematic persecution" by Fiat, spent more than £17m on players in one month to buy supremacy in the Italian league and Europe. Ajax of Amsterdam wants to build a 30,000-seater stadium for £75m and hopes the state will pay nearly 75 per cent of the cost.

There is no reason why 1992 should not make the creation of a European soccer league a certainty, as it would have to include teams from non-EC countries for the sake of credibility (Sweden and the Soviet Union, for example).

However, for the vast majority of soccer people, who have not got a clue what a single market means, the magical date 1992 has concentrated their attention on existing trends within the sport. During the last decade, soccer has unearthed rich new seams of cash sponsorship, advertising, television and executive boxes. This money has been attracted disproportionately to the big clubs and has led to a redistribution of wealth within the game.

Tottenham this season signed a four-year £2m deal with Umbro just to wear Umbro kit. The club has been reported all over Europe. The French Football Federation appointed Darmon as its promotional director in 1982; in the next six years, revenue from television and sponsorship rose from less than £2m to nearly £50m.

But the key is television. In 1988 the English Football League signed a TV deal worth a minimum of £44m over four years. After 10 top teams, egged on by the TV companies, threatened to break away, it also agreed to increase the share of the money going to division teams from 50 per cent to 75 per cent.

Television wants the best soccer available. It wants games that involve top clubs. As stations proliferate, so the bidding grows more intense. This season, Aston Villa received £300,000 for its home match against AC Milan in the UEFA cup second round. Villa lost and went out after two pay-days. How much nicer if it could

play glamorous European clubs every week.

The cash would go in. There would be no more trips to Wimbledon to scrap it out in front of 5,000 fans on cold, wet nights — just the big-time, all the time.

The model for many European soccer clubs is the National Football League in the US, seen as the acme of commercial sporting success. European soccer has been cribbing marketing ideas from the Americans for years.

The biggest difference between the NFL

(and North American sporting leagues)

and European soccer is that NFL members are franchises. Access to the league is not by promotion but by purchase. Only the largest cities support more than one franchise, so clubs are free to mop up local broadcasting cash and sponsorship.

The appeal to Europe's top soccer clubs is obvious, and they will watch with interest the launch this spring of the NFL's television-financed World League, which has franchises in London, Barcelona and Frankfurt, and plans by European basketball to launch a super-league by 1992.

The size of a European soccer league

will be limited by fears of diluting income and quality. The largest north American league (the NFL) has 28 teams. If the organisers were feeling extremely ambitious, Europe, which supports more than 30 national soccer leagues, could start with 40 franchises.

England this would translate into four or five European — one for each major FTV region and perhaps two in London: one for London Weekend Television, one to play on Mondays for Thames Television, or whatever the companies are called after this year's auction of FTV franchises.

The financial pressure on FTV companies after the auction, combined with competition from satellite sports channels and the BBC, would foster healthy bidding for local TV rights. The growing rivalry between the European Broadcasting Union and satellite channels would stimulate bidding for an overall contract.

Such a system would mean that Manchester United would be the only team from the north west of England — no place for Everton or Liverpool (Liverpool,

for all their triumphs, suffer economically and geographically). United has a large stadium, draws larger crowds and has a bigger catchment area. North London, to be represented by either Arsenal or Tottenham, not both. The same principle would apply in Milan and Madrid. This would alienate fans of all those clubs that were excluded — abandoned to stagnate in a national league. But the fact that Liverpool's fans were upset would only increase the pleasure of United's fans as they paid higher prices to see their team; the huge armchair audience would tune in anywhere.

There have been mutterings from UEFA about changing its top club competitions into a league format, which is how European soccer's equivalent competitions work.

UEFA would oppose a super-league.

And UEFA and FIFA are working together for European and world soccer.

But the only sanctions would be back them, but their only sanctions would be to ban super-league teams from their club cups and to ban super-league players from their international competitions.

On the other hand, if you had the 40 top teams and the 800 top players — who cares? You could create your own competitions, even your own world cup.

This is an extreme scenario, of course, but all the top clubs are planning for it. Many soccer directors are conservative, even sentimental about soccer, but they know that if the Euro-super-league bandwagon does start to roll, they need to be on it rather than under it.

The money box

Philip Coggan joins the executives

IT WAS a wet, windy and miserable day for watching soccer. But I was among the privileged few, out of the rain and never far from the warmth of an executive box.

Admittedly, the Watford box was not as deluxe as those at Wembley, where it is possible to watch the action without straying outdoors at all. During the Watford game we had to leave the comfort of the box for seats directly outside in the stand.

It was hard not to feel guilty as a suddenly sharp shower drenched supporters at the uncovered Watford end. But my guilt was tempered by the knowledge that I have stood in the concourse with the worst of 'em, being eliminated on foot, above (Queen's Park Rangers), crushed against a metal barrier (Tottenham), drenched to the skin (Wimbledon) and deafened by the shouts of the loudmouth directly behind me (just about everywhere).

Even a seat in the stand is no guarantee of comfort or a good view. At the England-Poland game in October, E15 bought me a Wembley seat in which Colin Moynihan, the diminutive former sports minister, would have felt cramped. The only way I could fit into the space provided was to sit at a 45° angle to the pitch. At last May's Cup Final, watching the game became an extended Jane Fonda workout as the spectators in front of me clambered on and off their seats and I (and those behind me) were forced to follow suit.

So it is hard to see any real alternative to the executive box if soccer wants to tap the lucrative international entertainment market. You could hardly invite a business contact to stand on the terrace.

In the right circumstances, a soccer match can be quite an intelligent way of entertaining contacts. Most men (and some women) enjoy watching soccer. Conversation about the game breaks down social barriers. With lunch beforehand (or dinner if it is an evening game), the event can be turned into an occasion.

What is more, with the right contacts you can impress the hell out of those of your guests who are still schoolboys at heart. I have bored my friends to tears recounting how, when entering a box at

Wembley, I was greeted by a familiar figure who said: "Hello, I'm Bobby Moore. Can I get you a drink?" The boxes also have televisions which offer slow-motion replays.

A five-seater box at Manchester United costs £5,000 a season, although food is extra. The charge for an eight-seater box, food included, starts from around £15,000. In the less glamorous surroundings of Luton, boxes for five cost around £2,000, eight-seater £10,000-£12,000.

The problem for the sport's authorities is balancing the financial realities — Manchester United will earn £500,000 this season if it lets its five-seater boxes alone.

The fate of nations has always been decided by the half-a-per-cent that the world's most needs is effective laws to control international relations.

What was needed, said Russell, was a single armed force in control of the world. If this hope was not realised, we faced utter disaster. I agree with that.

"Of course not," I said. "I agree with Bertrand Russell, who was in favour of world government. We all recognise the need to restrain murderers," wrote Russell, and it is even more important to restrain murderous states... What the world needs is effective laws to control international relations.

"But why ring me?" I said, rather cheekily. "In any case, I am a member of the newspaper's editorial board. I am afraid you applied for shares in the recent electricity privatisation.

"But I didn't get any," I said, starting to feel cross. "They sent my cheque back."